

# TRADE POTENTIAL: FINLAND AND PAKISTAN



Market Study being conducted by

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## INTRODUCTION:

### Purpose of the Report

SEED Ventures with the support of SUE (the Finnish Foreign Trade Promotion Fund) is conducting the Pakistan Market. This report aims to provide Finnish companies with a comprehensive blueprint plan to identify business opportunities in Pakistan.

We will also explore how businessmen from both Pakistan and Finland can collaborate on new bilateral trade opportunities. The relationship between Pakistan and Finland dates back to the 1950s when Pakistan was one of the first countries to recognize Finland after it gained independence. Since then, the two countries have maintained a friendly relationship, with Finland providing aid and assistance to Pakistan in various sectors, including education and development.

Our report will analyze the barriers to entry for new businesses in Pakistan and provide a lay of the land for sustainable, renewable, and smart energy in production, distribution, and consumption, circular economy, information technology, and environmental and social considerations.

Overall, this report will provide readers with a comprehensive and detailed blueprint plan for identifying business opportunities in Pakistan, as well as guidance on how to collaborate with businessmen from both Pakistan and Finland to drive new bilateral trade opportunities.

The reopening of the Finnish embassy in Islamabad demonstrates the growing importance of the bilateral relationship, and this report aims to help Finnish companies take advantage of the opportunities available in the Pakistani market and strengthen economic ties between the two countries.

Furthermore, we recognize the importance of promoting gender equality and empowering women in business. To this end, we have included a section on women in business and connecting women-led businesses between Pakistan and Finland. This section will provide an overview of the current status of women in business in Pakistan, analyze the potential for women-led businesses to connect between Pakistan and Finland and make recommendations for supporting women in business and promoting connectivity between women-led businesses in both countries.

Our report also identifies the most potential business opportunities in the selected areas, provides guidance on different types of market entry strategies and best practices, and discusses the different roles of local partners and public vs. private sector investments. We conclude with an analysis of different incentives, including taxation and legislative measures, to promote economic growth in both countries.

To provide a well-rounded perspective, we have also included the experiences and expectations of Finnish companies with and in Pakistan over the last years, delivering best practices and lessons learned.

By providing this blueprint plan for Finnish companies, businessmen across Pakistan and Finland can collaborate on new bilateral trade opportunities, foster sustainable development, and promote economic growth in both countries while promoting gender equality and empowering women in business.



## OBJECTIVES OF THE REPORT:

- To provide a detailed overview of Pakistan's economy and market, including the current political situation and risks associated with doing business in Pakistan.
- To identify the most potential business opportunities in sustainable, renewable, and smart energy, circular economy, information technology, and environmental and social considerations in Pakistan.
- To guide different types of market entry strategies and best practices, including an analysis of entry barriers and potential challenges.
- To highlight the potential benefits of trade between Finland and Pakistan, including access to a large and growing market, complementarity in trade, diversification of trade, and strong diplomatic ties.
- To promote gender equality and empower women in business by providing an overview of the current status of women in business in Pakistan, analyzing the potential for women-led businesses to connect between Pakistan and Finland, and making recommendations for supporting women in business and promoting connectivity between women-led businesses in both countries.



## ABOUT SEED VENTURES:

SEED Ventures was founded in 2009 with the vision of establishing a thriving ecosystem for social impact. Our unwavering commitment to positive and sustainable impact creation has been the driving force behind our work for over a decade. Our mission is to build awareness, foster capacity development, and promote knowledge-building in the fields of sustainability, impact, and social entrepreneurship. We are proud to have engaged with over 100,000 beneficiaries, and our impact has been felt across diverse sectors.

One of our notable achievements has been the successful initiation of corporate impact venturing with private sector partners. Through this unique value chain intervention, we have demonstrated that community building and social impact creation can be prioritized over profit maximization. From grant management to impact and commercial investments, we have collaborated with the public, development, and private sectors to maximize our impact creation efforts.

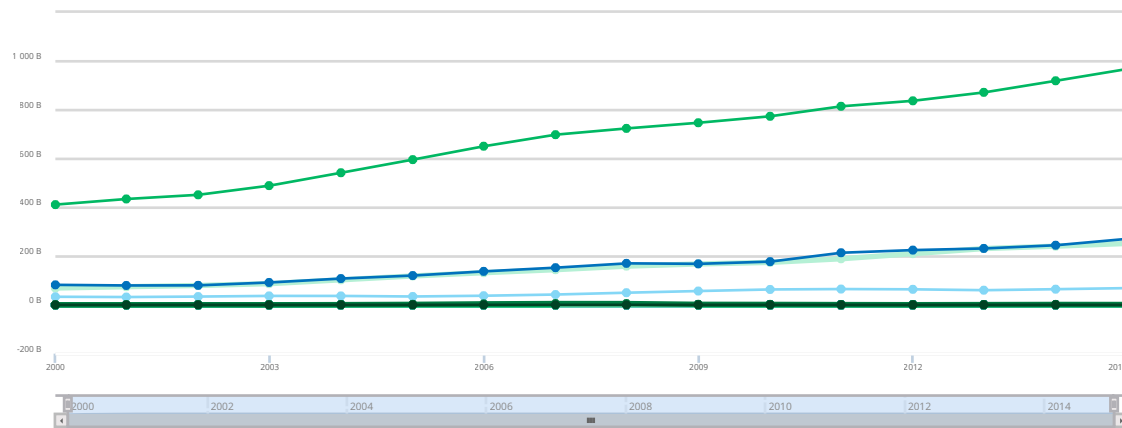
ESG and sustainability, climate, agriculture, diversity inclusion, mental health, and livelihood development are at the forefront of our work. Through ecosystem development and impact investments, we work to make a difference in the lives of children, youth, women, and marginalized communities.

In the years to come, we aspire to expand and strengthen our work in several key areas. These include policy development, the establishment of alternate financial mechanisms for impact creation, building socio-economic resilience in communities, and expanding our reach to a larger number of beneficiaries across all our portfolios. Our vision is to create a world where social entrepreneurship and sustainable impact are at the forefront of business and development practices. We remain steadfast in our commitment to this cause and look forward to continuing to drive meaningful change in the years ahead.



# SNAPSHOT OF PAKISTAN'S ECONOMY:

Economic Growth is expected to remain robust in the medium term



Country: Pakistan  
Source: World Development Indicators  
Created on: 03/12/2023

Based on the most recent data available, which is from 2021, Pakistan's nominal GDP was approximately 296.15 billion USD, and its real GDP growth rate was 4.4%. As for Pakistan's expected GDP growth rate, it is difficult to predict accurately, especially considering the ongoing pandemic and other global economic uncertainties. However, according to the World Bank, Pakistan's GDP growth is projected to rebound to 4.0% in 2022 and 4.5% in 2023. It's important to note that these are just projections and are subject to change based on various factors such as government policies, global economic conditions, and natural disasters.

| Markets               | Actual   | Q1/23 | Q2/23 | Q3/23 | Q4/23 |
|-----------------------|----------|-------|-------|-------|-------|
| Currency              | 279.50   | 283   | 290   | 298   | 305   |
| Stock Market (points) | 41585.54 | 40208 | 39109 | 38042 | 37005 |

| Overview                          | Actual     | Q1/23   | Q2/23   | Q3/23   | Q4/23    |
|-----------------------------------|------------|---------|---------|---------|----------|
| GDP Annual Growth Rate (%)        | 3.94       |         |         |         | 1.9      |
| Unemployment Rate (%)             | 6.50       |         |         |         | 6.4      |
| Inflation Rate (%)                | 31.50      | 35      | 29      | 25      | 18       |
| Interest Rate (%)                 | 20.00      | 20      | 22      | 22      | 22       |
| Balance of Trade (PKR Million)    | -455370.00 | -580000 | -537000 | -522000 | -1079000 |
| Current Account (USD Million)     | -1221.00   | -3519   |         |         | -2588    |
| Current Account to GDP (% of GDP) | -4.60      |         |         |         | -3.7     |
| Government Debt to GDP (% of GDP) | 84.00      |         |         |         | 80       |
| Government Budget (% of GDP)      | -7.10      |         |         |         | -6       |
| Consumer Confidence (points)      | 29.52      | 39      | 41      | 42      | 44       |



## PAKISTAN'S MAIN EXPORTS



Pakistan's main exports include textiles, leather goods, sports goods, chemicals, surgical instruments, rice, fruits and vegetables, carpets, and jewellery. Textile products such as cotton yarn, cotton fabrics, and cotton garments are the largest exports of Pakistan, accounting for a significant portion of the country's total exports.

Pakistan is also a major exporter of leather goods, including footwear and jackets, and is known for producing high-quality sports goods such as cricket balls, hockey sticks, and footballs. Other significant exports from Pakistan include seafood, cement, and pharmaceuticals.

Another area of exports for Pakistan is their human

capital exports, which are beneficial in terms of remittances, where money earned by Pakistanis living abroad is sent back home, skill development, cultural exchange, entrepreneurship opportunities returning to Pakistan, and increased education standards in Pakistan as a result of more exposure.

Pakistan's IT sector has been growing steadily over the past few years and has become a significant source of exports for the country.

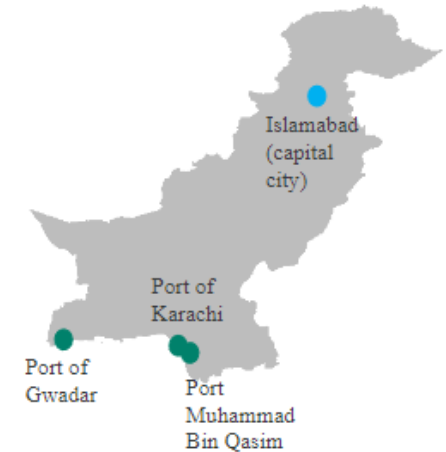
The IT sector exports mainly consist of software development and related services, such as IT consultancy, outsourcing, and support services.

Here are some key areas where Pakistan's IT sector exports; Software development, IT consultancy, outsourcing, and support services.



## MARKET KEY PORTS

Pakistan has a long coastline of 1046 kilometres along the Arabian Sea, dotted with many ports, including Karachi port, Muhammad Bin Qasim port, and Gwadar port. Of these, Gwadar port is especially significant due to its strategic location and being one of the world's deepest seaports. The Karachi port, on the other hand, is the busiest in Pakistan and serves as the economic centre of the country.



### Port of Karachi:

This is a significant deep-sea port located on the Arabian Sea coast of Pakistan, which is managed by the Karachi Port Trust (KPT) and owned by the Ministry of Maritime Affairs. It handles almost 60% of national shipments and is situated on 32 kilometres of docks and wharves.

The port's anchorage depth is 16 meters, and it has 41 berths and eight wharves for commercial vessels.

The port's importance dates back to the 8th century CE, and it has been operational since the early 18th century. It was developed under British rule and became a vital hub for trade, with newly developed facilities. Today, Karachi Port's strategic location near the Straits of Hormuz and the Suez Canal is a major factor in its significance.

The port has an annual cargo handling capacity of 65.25 million tons and 1.56 million TEUs. The West and East wharves have a total of 11 kilometres of channel for incoming vessels and are capable of berth-

ing large commercial vessels, with a maximum capacity of 75,000 DWT. The wharves have three liquid cargo berths, two dry docks, three container terminals, and shipyards for repairs.

The Karachi International Container Terminal (KICT) and Pakistan International Bulk Terminal (PIBT) are two of the port's primary container terminals, which can handle Panamax and Post-Panamax vessels. The port also has a designated space for naval and commercial shipbuilding and repair facilities.

Due to the severe congestion at the Karachi Port, several neighbouring ports such as Gwadar Port and Port Qasim have been developed to ease the pressure. Additionally, expansion projects are ongoing to improve TEU handling capacities at KICT and PIBT, construct a new passenger terminal, and reduce vessel Turn Around Time (TAT) by upgrading facilities.



## Gwadar Port:

Gwadar is a significant port located on the Arabian Sea and is administered by the Gwadar Port Authority. The China Overseas Port Holding Company has operational and executive control over the port. Gwadar plays a crucial role in Pakistan-Afghanistan trade transit and is a crucial hub for the proposed China-Pakistan Economic Corridor (CPEC). The port is linked to the Maritime Silk Road and Belt & Road Projects.

The deep-sea port was operationalized in 2016 and is still undergoing expansion in three subsequent phases. It is located near Chabahar Port in Iran and near the Gulf of Oman and the Straits of Hormuz. The port features several facilities, including a floating liquefied natural gas facility, the Gwadar Special Economic Zone, and a dedicated facility to promote CPEC interests.

As of 2018, the port's annual container capacity is 30 million TEUs, while the proposed cargo capacity is **400 million** tons by 2045, against the current capacity of **11 million** tons. The expansion phases are set to be delivered in three stages, with the last two stages scheduled for 2029 and 2045, respectively. The port is designed to support several ship classes, including bulk carriers, Panamax, Neo Panamax, Chinamax, Valemax, and TI-Class Supertankers.

The port is set to be linked to the Khunjerab Railway for easier commuting with surrounding industrial hubs. The proposed expansion of Port Chabahar in Iran and India is also likely to develop the Gwadar-Chabahar region and lead to transshipment facilities at both ports.

## Post Qasim

Port Muhammad bin Qāsim is the second-largest port in Pakistan and is among the top 150 ports globally. It is a deep-sea port located in the artificial harbour of the Sindh Province.

It handles around **35%** of Pakistan's maritime trade, with over **1,500** port calls annually, a container volume of **700,000** TEUs, and an annual cargo tonnage of **16.6 million** tons. The port can berth vessels in the **75,000 DWT** range, as of 2008, and has a tidal variation of 3 meters.

The port is divided into three main zones for administrative ease: North Western Industrial Zone (NWIZ) covering 2,920 acres, South Western Industrial Zone (SWIZ) covering 1,000 acres, and Eastern Industrial Zone (EIZ) covering 8,300 acres.

Port Qasim has several facilities for berthed ships, including a four-berth Multipurpose Terminal under PQA, a five-berth Container Terminal under Qasim International Container Terminal (QICT), a single berth Liquid Chemical Terminal under Engro Vopak Ltd, and a single berth Oil Terminal under Fotco Oil Terminal.

The port has planned several expansion projects, including additional liquid cargo terminals, container terminals, oil terminals, and a steel jetty. There are also plans to construct coal and clinker processing units, a Granada LNG unit, and a GasPort LNG Floating Terminal. Additionally, the development of road and rail facilities, expansion of infrastructure in EIZ, and a textile city to support local industries are being considered.



## Market Risk

|                  |   |
|------------------|---|
| <b>Economic</b>  | Wide current account and government budget deficits will continue to generate uncertainty over the short to medium term. These will keep fueling rising public debt levels, exerting additional downward pressure on the Pakistani rupee exchange rate.                 |
| <b>Political</b> | Political violence at domestic levels remains a significant problem, due to political, ethnic, and military tensions. Pakistan's continued tensions with India will also generate uncertainty at the international level.   |
| <b>Legal</b>     | High trade tariffs put imports into Pakistan at a disadvantage compared to domestically produced goods. Complex trade regulatory framework (with many laws, regulations, ordinances, and special regulatory orders) reduces transparency.                               |
| <b>Trade</b>     | Strong competition from imports from countries like the UK, Australia, New Zealand, and South Africa to access Pakistan's market. Locally produced items in the following categories are cheap, increasing competition for low-cost products imported into the country. |

## Existing Trade Agreements of Pakistan

- Pakistan does not have a free trade agreement (FTA) with Finland and, as a result, imports from Finland into the Pakistani market are subject to full tariffs.
- On the other hand, Pakistan features free trade agreements with countries like China, Sri Lanka and Malaysia and it has preferential trade agreements with Iran and Mauritius, while the country is also part of the South Asian Association for Regional Cooperation (SAARC).
- These trade preferences put Finland at a disadvantage compared to Pakistan's trade partners when trying to import into Pakistan.





## BILATERAL TRADE PAKISTAN WITH FINLAND

Pakistan has a large population of around 220 million people, which presents a significant market for both domestic and foreign businesses. Additionally, Pakistan is strategically located at the crossroads of South Asia, Central Asia, and the Middle East, making it an important hub for trade and commerce.



## Pakistan's Potential for Growth

In recent years, Pakistan has made progress in improving its business environment and attracting foreign investment. The government has implemented economic reforms to address macroeconomic imbalances, reduce the fiscal deficit, and stabilize the currency. The country has also been investing in infrastructure, such as the China-Pakistan Economic Corridor (CPEC), which is a network of highways, railways, and energy projects that aim to connect Pakistan's southern port city of Gwadar to China's northwestern region of Xinjiang.

Moreover, Pakistan has a young and growing workforce, which presents a significant opportunity for economic growth. However, there are still challenges to be addressed, such as improving the ease of doing business, addressing corruption, and improving the education and health systems. Pakistan is the second youngest country in South Asia, with nearly two-thirds of its population under the age of 30 due to a much-delayed decline in fertility levels.

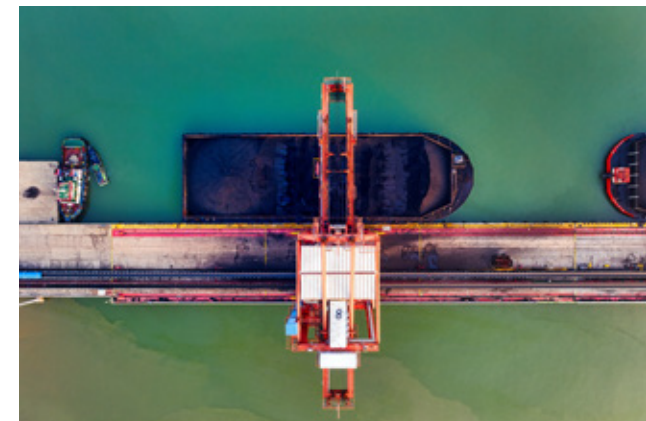
This presents a time-bound opportunity in the form of a 'demographic dividend' that may not arise again for several generations. The youth population (aged 15-24) now forms close to 36% of Pakistan's labour force, projected to rise to 50% by 2050. However, fertility rates are still high at 3.55, and the working-age population is expected to continue growing even beyond 2050.

This presents Pakistan with an unprecedented opportunity to leverage the youth dividend, unlike Southeast Asia, where the potential of youth was identified in hindsight. However, many educated Pakistani youngsters go without decent jobs, raising the possibility of an uprising akin to the Arab Spring in Pakistan.

Dealing with a rising youth population is not without challenges, even as it presents unique opportunities. Appropriate and urgent policy responses are needed to ensure that this young population can contribute to the country's growth and development. The government should prioritize investments in education, health, and job creation to prepare the youth for the demands of the job market.

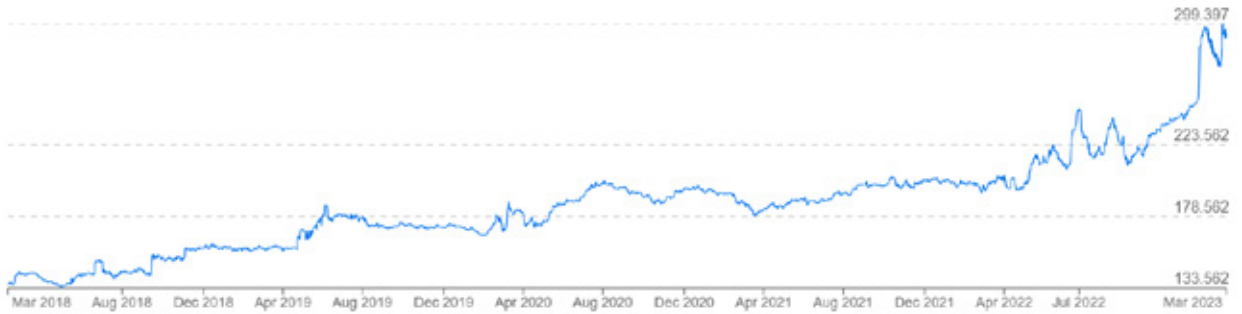
Moreover, the government should work to address the country's high fertility rates by promoting family planning and reproductive health services. If the country fails to harness the potential of its youth, it risks missing out on a crucial opportunity to accelerate economic growth and development. In conclusion, Pakistan has a unique opportunity to capitalize on its youth dividend, but it requires a concerted effort from the government and other stakeholders to ensure that the country's young population can realize its full potential.

Overall, Pakistan has the potential for economic growth, and with the right policies and reforms, the country can unlock its potential and improve the standard of living for its citizens.

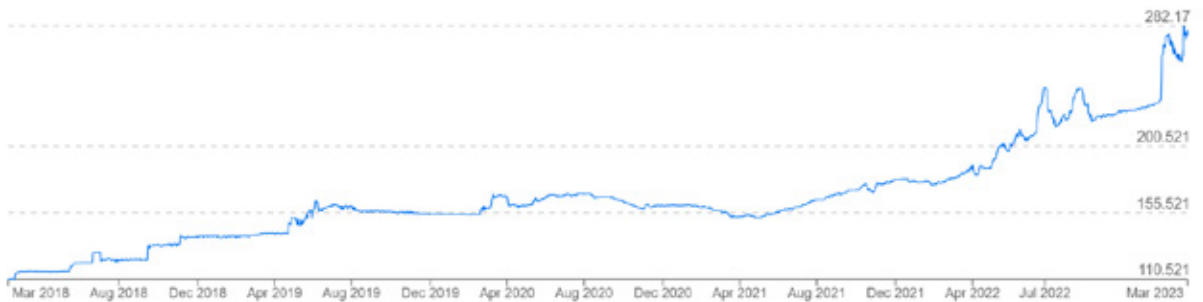




# Currency Comparisons: The Euro Against the Pakistani Rupee



# The Euro Against the Pakistani Rupee



| Month                    | Open  | Low-High    | Close        | Mo.%  | Total.% |
|--------------------------|-------|-------------|--------------|-------|---------|
| <b>2023</b>              |       |             |              |       |         |
| Mar                      | 261.4 | 261.0-265.3 | <b>269.7</b> | 3.2%  | 3.2%    |
| Apr                      | 269.7 | 259.0-269.7 | <b>262.9</b> | -2.5% | 0.6%    |
| May                      | 262.9 | 251.5-262.9 | <b>255.3</b> | -2.9% | -2.3%   |
| Jun                      | 255.3 | 255.3-266.9 | <b>263.0</b> | 3.0%  | 0.6%    |
| Jul                      | 263.0 | 262.0-270.0 | <b>266.0</b> | 1.1%  | 1.8%    |
| Aug                      | 266.0 | 266.0-274.4 | <b>270.3</b> | 1.6%  | 3.4%    |
| Sep                      | 270.3 | 268.3-270.3 | <b>262.2</b> | -3.0% | 0.3%    |
| Oct                      | 262.2 | 262.2-274.2 | <b>270.1</b> | 3.0%  | 3.3%    |
| Nov                      | 270.1 | 258.1-270.1 | <b>262.0</b> | -3.0% | 0.2%    |
| Dec                      | 262.0 | 262.0-273.9 | <b>269.9</b> | 3.0%  | 3.3%    |
| <b>2024</b>              |       |             |              |       |         |
| Jan                      | 269.9 | 268.2-276.4 | <b>272.3</b> | 0.9%  | 4.2%    |
| Feb                      | 272.3 | 272.3-284.7 | <b>280.5</b> | 3.0%  | 7.3%    |
| Mar                      | 280.5 | 279.9-288.5 | <b>284.2</b> | 1.3%  | 8.7%    |
| Apr                      | 284.2 | 284.2-297.1 | <b>292.7</b> | 3.0%  | 12.0%   |
| May                      | 292.7 | 289.5-298.3 | <b>293.9</b> | 0.4%  | 12.4%   |
| Jun                      | 293.9 | 289.9-298.7 | <b>294.3</b> | 0.1%  | 12.6%   |
| Jul                      | 294.3 | 290.4-299.2 | <b>284.8</b> | 0.2%  | 12.8%   |
| Aug                      | 294.8 | 294.8-306.9 | <b>302.4</b> | 2.6%  | 15.7%   |
| Sep                      | 302.4 | 299.7-308.9 | <b>304.3</b> | 0.6%  | 16.4%   |
| Oct                      | 304.3 | 304.3-317.0 | <b>312.3</b> | 2.6%  | 19.5%   |
| Nov                      | 312.3 | 312.3-324.6 | <b>319.8</b> | 2.4%  | 22.3%   |
| Dec                      | 319.8 | 319.8-333.5 | <b>328.6</b> | 2.8%  | 25.7%   |
| <b>2025</b>              |       |             |              |       |         |
| Jan                      | 328.6 | 328.6-341.8 | <b>336.7</b> | 2.5%  | 28.6%   |
| Feb                      | 336.7 | 332.8-343.0 | <b>337.9</b> | 0.4%  | 29.3%   |
| Mar                      | 337.9 | 329.9-339.9 | <b>334.9</b> | -0.9% | 28.1%   |
| <b>2025 Continuation</b> |       |             |              |       |         |
| Apr                      | 334.9 | 322.8-334.9 | <b>327.7</b> | -2.1% | 25.4%   |
| May                      | 327.7 | 319.4-329.2 | <b>324.3</b> | -1.0% | 24.1%   |
| Jun                      | 324.3 | 319.1-328.9 | <b>324.0</b> | -0.1% | 23.9%   |
| Jul                      | 324.0 | 321.0-330.8 | <b>325.9</b> | 0.6%  | 24.7%   |
| Aug                      | 325.9 | 319.0-328.8 | <b>323.9</b> | -0.6% | 23.9%   |
| Sep                      | 323.9 | 309.5-323.9 | <b>314.2</b> | -3.0% | 20.2%   |
| Oct                      | 314.2 | 308.3-317.7 | <b>313.0</b> | -0.4% | 19.7%   |
| Nov                      | 313.0 | 306.1-315.5 | <b>310.8</b> | -0.7% | 18.9%   |
| Dec                      | 310.8 | 305.1-314.3 | <b>309.7</b> | -0.4% | 18.5%   |
| <b>2026</b>              |       |             |              |       |         |
| Jan                      | 309.7 | 309.7-323.7 | <b>318.9</b> | 3.0%  | 22.0%   |
| Feb                      | 318.9 | 318.9-330.0 | <b>325.1</b> | 1.9%  | 24.4%   |
| Mar                      | 325.1 | 310.6-325.1 | <b>315.3</b> | -3.0% | 20.6%   |
| Apr                      | 315.3 | 315.3-329.7 | <b>324.8</b> | 3.0%  | 24.3%   |
| May                      | 324.8 | 319.9-329.7 | <b>324.8</b> | 0.0%  | 24.3%   |
| Jun                      | 324.8 | 319.1-328.9 | <b>324.0</b> | -0.2% | 23.9%   |
| Jul                      | 324.0 | 318.4-328.0 | <b>323.2</b> | -0.2% | 23.6%   |
| Aug                      | 323.2 | 317.6-327.2 | <b>322.4</b> | -0.2% | 23.3%   |
| Sep                      | 322.4 | 316.4-326.0 | <b>321.2</b> | -0.4% | 22.9%   |
| Oct                      | 321.2 | 315.4-325.0 | <b>320.2</b> | -0.3% | 22.5%   |
| Nov                      | 320.2 | 308.5-320.2 | <b>313.2</b> | -2.2% | 19.8%   |
| Dec                      | 313.2 | 303.2-313.2 | <b>307.8</b> | -1.7% | 17.8%   |
| <b>2027</b>              |       |             |              |       |         |
| Jan                      | 307.8 | 307.8-321.8 | <b>317.0</b> | 3.0%  | 21.3%   |
| Feb                      | 317.0 | 317.0-331.4 | <b>326.5</b> | 3.0%  | 24.9%   |
| Mar                      | 326.5 | 324.2-334.0 | <b>329.1</b> | 0.8%  | 25.9%   |
| Apr                      | 329.1 | 326.7-336.7 | <b>331.7</b> | 0.8%  | 26.9%   |



# FUTURE OF TRADE BETWEEN PAKISTAN AND FINLAND

The future outlook of trade between Finland and Pakistan is difficult to predict solely based on the depreciating Pakistani rupee. While a weaker currency can make exports more competitive and attractive to foreign buyers, it can also increase the cost of imported goods and impact overall economic stability.

However, it is worth noting that trade between Finland and Pakistan has been relatively small in recent years, with Pakistan accounting for only a small percentage of Finland's total trade. In 2020, Finland's exports to Pakistan were worth around 78 million euros, while imports from Pakistan totalled around 54 million euros. That

being said, there is potential for increased trade and investment between the two countries in the future, particularly in the areas of technology, machinery, and renewable energy. Both countries have strong expertise in these fields and could benefit from greater collaboration and exchange.

Overall, while the depreciating Pakistani rupee may impact trade between Finland and Pakistan to some extent, other factors such as political stability, market demand, and economic growth will also play a significant role in shaping the future outlook of trade relations between the two countries.

## Benefits of Potential Trade between the two countries:

With a burgeoning population and increasing education and exposure due to tech - the average Pakistani man is now more educated than before.

**1.** In the manufacturing sector, trade can create job opportunities by increasing the demand for goods produced domestically. When domestic manufacturers have access to new markets, they can increase their production and hire more workers to meet the demand. Additionally, new industries may emerge as a result of increased trade, leading to the creation of new jobs in sectors such as technology, renewable energy, and healthcare. In the service sector, trade can create job opportunities by increasing demand for services such as tourism, transportation, and financial services. For example, increased trade can lead to more tourists visiting a country, creating more jobs in the tourism industry. Similarly, increased trade can create demand for transportation services, leading to the need for more workers in the transportation industry. Reducing youth unemployment is particularly important, as it allows young people to become financially independent and contribute to their families and communities. It also reduces the risk of social and economic exclusion, which can lead to other social problems such as crime and poverty.

**2.** Access to a wider range of goods and services can be particularly beneficial for young people who are often interested in purchasing goods like technology or fashion items. These goods may be expensive or unavailable in their home country, making trade a key way for them to access them. With increased trade, more retailers and businesses may enter the market, creating competition, which can result in lower prices and a wider range of products. Trade can also provide opportunities for young people to learn about and engage with different cultures through the exchange of goods and services. For example, young people may have the opportunity to experience new cuisines, music, or fashion trends from other countries through trade. This can contribute to a more globalized and diverse society, promoting cross-cultural understanding and awareness. Furthermore, increased access to goods and services through trade can also support economic growth and development. When businesses have access to new markets, they can increase their production and sales, leading to increased revenue and job creation. This can help to drive sustainable economic growth, which can provide more opportunities for young people in the long term.



**3.** Trade can be a source of knowledge and learning for young entrepreneurs, as it allows them to access new markets, technologies, and ideas. This exposure can help young entrepreneurs to identify new opportunities and develop innovative solutions, which can be used to build successful businesses. Additionally, trade can help young entrepreneurs to learn about global market trends, including the demands and preferences of consumers in other countries. This knowledge can be used to develop products and services that are tailored to the needs of different markets, making young entrepreneurs more competitive in the global market. Moreover, trade can provide opportunities for young people to develop their skills, such as language skills, intercultural communication skills, and negotiation skills. These skills can help young entrepreneurs to build relationships with potential partners, suppliers, and customers from different countries. Furthermore, trade can provide young people with exposure to different business practices and regulatory environments, which can help them to develop their understanding of the international business environment and become more competitive. By building successful businesses, young entrepreneurs can promote economic growth by creating employment opportunities and contributing to the development of new industries. Additionally, they can help to promote innovation and creativity, leading to the development of new products and services that can benefit the economy and society.

**4.** Access to capital is crucial for young entrepreneurs who are starting new businesses or seeking to expand existing ones. However, obtaining capital can be challenging, particularly for young people who may not have an established credit history or

collateral to secure loans. By participating in trade, young entrepreneurs can access foreign capital, which can help them to overcome these challenges and obtain the necessary funding to start or expand their businesses. Foreign capital can come in many forms, such as foreign direct investment (FDI), foreign loans, or grants. FDI refers to when a foreign company invests in a local business, providing capital and resources to help the business grow. This can provide young entrepreneurs with access to new technologies, marketing networks, and managerial expertise. Foreign loans and grants can also provide young entrepreneurs with the necessary funding to start or expand their businesses. With access to foreign capital, young entrepreneurs can create jobs and contribute to economic growth. They can hire employees, purchase goods and services, and invest in new technologies, leading to increased economic activity and higher levels of productivity. Additionally, young entrepreneurs can contribute to innovation and creativity, leading to the development of new products and services that can benefit the economy and society.

**5.** Trade can act as a vehicle for the transfer of new technologies and innovations from one country to another. Through trade, young populations can access new technologies and ideas that may not be available domestically, leading to the development of new skills and knowledge. This can help young people to increase their productivity, efficiency, and competitiveness in the global market. The transfer of new technology and innovation can have significant positive impacts on economic

growth. New technologies can help to improve the efficiency of production processes, leading to lower costs, higher productivity, and increased profitability. Additionally, new technologies can lead to the development of new products and services, providing opportunities for young entrepreneurs to create new businesses and contribute to economic growth. Furthermore, the transfer of new technology and innovation can help to improve living standards. New technologies can lead to the development of new and improved goods and services, such as healthcare, education, and clean energy. This can help to improve the quality of life for young populations and contribute to the achievement of sustainable development goals.

Overall, trade can provide many benefits for young populations like Pakistan, including job creation, access to goods and services, increased competitiveness, access to capital, and technology transfer. By participating in global trade, young people can contribute to the economic growth of their country and improve their standard of living.



## BARRIERS TO ENTRY AND CONSEQUENT OPPORTUNITIES:

### Finland's Main Exports

From an ESG perspective, the main exports of Finland represent a diverse mix of industries that have varying degrees of environmental and social impacts. Machinery and equipment, for example, can be associated with high levels of carbon emissions and resource depletion if not produced and operated sustainably.

Forest products and metals and minerals can also pose environmental risks if not extracted and processed responsibly, while chemicals and pharmaceuticals can have significant health and safety implications if not properly regulated and managed. In the context of transport equipment, Finland's exports could have both positive and negative impacts on sustainability, depending on factors such as fuel efficiency, emissions reduction, and the materials used in production. Finally, food and beverages, while not typically associated with significant environmental impacts, may raise social and ethical concerns related to issues such as animal welfare, labour rights, and food safety.

In terms of market implications, investors and businesses operating in these industries will need to consider their ESG risks and opportunities, as well as the evolving regulatory and consumer expectations around sustainability. This could involve investing in cleaner technologies and processes, adopting sustainable sourcing practices, strengthening supply chain transparency and social responsibility, and engaging with stakeholders to address ESG concerns. For Finland as a whole, leveraging its expertise in these key export sectors to promote sustainable innovation and leadership could enhance its competitive

advantage and attractiveness to investors who prioritize ESG considerations.

### Challenges in Creating Employment

Pakistan is facing a significant challenge in creating employment opportunities for its young population. According to the World Bank, youth unemployment in Pakistan has exceeded the overall rate of unemployment in the past decade, with around 4 million people aged 15-24 currently unemployed. This number is expected to rise to 8.6 million by 2020, and the annual entry of at least 1.7 million people into the job market is predicted up to 2040, assuming an annual population growth rate of 2.07 per cent.

To absorb the young workforce, a consistent GDP growth rate of over 7 per cent is required, which the government has set a target of 6 per cent for 2017-18. However, the challenge is not just about generating more jobs, but also ensuring that the jobs are productive and offer benefits. Currently, at least 25 per cent of youth are engaged in unstable, low-paid employment without any benefits and 35 per cent (mostly women) in unpaid family work. The shortage of skilled workers is also pushing more people into unemployment or informal work, with less than a third of the labour employed in the formal sector.

Moreover, the quality of jobs created is closely associated with low labour productivity. The growth in labour productivity has fallen from 4.2 per cent during the 1980s to an average of 1 per cent since 2007, reflecting the poor quality of the workforce, sluggish growth in investment

as a share of GDP, and a slow shift towards high-value-added sectors.

Creating jobs is not just about economic growth but also about addressing urbanization, energy, and water scarcity. The demographic challenge is more serious in cities, where almost 30 million of the 50 million people aged 18 to 29 reside in Lahore and Karachi alone. While human capital development and productive employment opportunities are skewed in favour of cities, a large number live in squatter settlements, and energy use is expected to quadruple, putting growing pressure on Pakistan's limited urban resources.

## The Opportunity Involved

To handle youth development as a cross-sectoral issue, an integrated framework or policy is needed. A potential export to Pakistan by Finland can be in the area of Education and better curriculum. A holistic education support policy can highly benefit the youth.

The usage of CSOs and non-profits may work as an excellent tool rather than funds given directly to the government. Pakistan now lacks a federal organisation to lead initiatives for the youth or a national youth policy following devolution. Without being integrated into a comprehensive reform to push for the reliable delivery of basic services, including interventions in education, skills, health, and labour, policy interventions such as the internship programme, the distribution of free laptops, and several other programmes under the Prime Minister's youth programme will only produce short-term solutions.

This is the first sector in which Finland can make a lasting impact. Scandinavian education is known to be the best - and with the right tools and teams, Finland can be on its way to educating millions of young people

that can in turn be used as Human Capital that is cheap and efficient. .

## Ease of Doing Business Ranking

The ease of doing business in Pakistan is ranked 136th out of 190 countries, according to the World Bank's Doing Business 2020 report. This indicates that there are significant challenges for businesses in Pakistan, including obtaining permits, dealing with construction permits, registering property, getting credit, protecting minority investors, paying taxes, enforcing contracts, and resolving insolvency.

While the government has taken steps to improve the ease of doing business in the country, there is still a long way to go in terms of streamlining procedures, reducing bureaucracy, and improving transparency. However, Pakistan has several advantages, including its strategic location, large population, and abundant natural resources, that could make it an attractive destination for businesses willing to navigate the challenges.

## The Opportunity Involved

Pakistan's startup space has experienced tremendous growth in recent years, with startups raising nearly \$365.8 million in 2021, a 450 per cent increase over funding raised in 2020. While there is still much progress to be made before Pakistan can compete with global benchmarks - now is the best time to invest. Pakistan's market is dominated by small-scale businesses that struggle to obtain financing, with a large proportion of companies having little access to capital that could be

used to finance their growth and provide employment opportunities within the country.

Venture capital and private equity provide much-needed assistance to small and medium-sized businesses. These businesses will benefit not only from additional funds but also from the advice of professional investors who can help them get on the right track and tweak their business models to raise their chances of success. Pakistan's large population, two-thirds of whom are under the age of 30, represents significant untapped potential for international venture capital and private equity firms.

Foreign investors are usually wary of entering the Pakistani market due to issues such as weak law and order systems, complex regulatory frameworks, and a highly volatile macroeconomic landscape. Despite these challenges, Pakistan offers numerous opportunities for international investors to profit, given the country's massive, untapped market with significant upside potential. Furthermore, entrepreneurs in Pakistan are working on developing innovative solutions tailored to local market needs.

## Gender Inequality in Pakistan

Gender inequality is a pervasive problem in Pakistan, affecting many aspects of life for women and girls. Despite some progress in recent years, Pakistan remains one of the most gender-unequal countries in the world. One major problem related to gender inequality in Pakistan is a lack of access to education for girls and women. Many families prioritize education for boys, and girls often face cultural and financial barriers to accessing education. As a result, literacy rates among women in Pakistan remain low,

with many women lacking the skills and education needed to succeed in the workforce.

Another issue related to gender inequality in Pakistan is discrimination in the workplace. Women often face barriers to entering certain professions and are paid less than men for similar work. Additionally, women are often subjected to sexual harassment and other forms of discrimination in the workplace, making it difficult for them to advance in their careers.

Gender-based violence is also a serious problem in Pakistan, with women and girls facing high levels of domestic violence, sexual harassment, and honour killings. Cultural norms and traditions often perpetuate these forms of violence and make it difficult for women to seek help or justice. Furthermore, women's political representation remains low in Pakistan, with women holding only a small percentage of seats in the national and provincial assemblies. This limits women's ability to influence policy and advocate for their rights.

In conclusion, gender inequality is a significant problem in Pakistan, affecting many aspects of life for women and girls. Addressing this problem requires efforts to increase access to education, combat discrimination in the workplace, end gender-based violence, and promote women's political participation and representation. By promoting gender equality, Pakistan can create a more just and equitable society for all of its citizens.

## The Opportunity Involved

Addressing gender inequality requires a multifaceted approach that involves efforts from governments, civil society organizations, and the international community. By working together to promote gender equality, we can

create a more just and equitable world for all people, regardless of gender.

## Importance of Gender Equity and Education - Where Can Finland Step In

Finland can contribute to efforts to end gender inequality in Pakistan in several ways. Some possible actions Finland can take are:

- 1. Providing funding and technical support:** Finland can provide funding and technical support for programs and initiatives aimed at promoting gender equality in Pakistan. This can include initiatives to increase access to education for girls and women, promote women's political participation and representation, and address gender-based violence.
- 1. Providing funding and technical support:** Finland can provide funding and technical support for programs and initiatives aimed at promoting gender equality in Pakistan. This can include initiatives to increase access to education for girls and women, promote women's political participation and representation, and address gender-based violence.
- 2. Engaging in advocacy and awareness-raising:** Finland can use its diplomatic channels to raise awareness about gender inequality in Pakistan and advocate for policies and programs that promote gender equality. This can include engaging with government officials, civil society organizations, and other stakeholders to promote gender equality and raise awareness about the importance of women's rights.
- 3. Supporting women's rights organizations:** Finland can provide support for women's rights organizations in Pakistan, including funding and technical assistance. This can help these organizations to strengthen their

capacity and expand their reach, and promote gender equality at the grassroots level.

- 4. Supporting women-led businesses:** Finland can support women-led businesses in Pakistan by providing funding and technical assistance to help them grow and expand. This can help to promote women's economic empowerment and reduce gender disparities in the workforce.
- 5. Promoting cultural exchange and dialogue:** Finland can promote cultural exchange and dialogue between Finland and Pakistan to foster understanding and promote gender equality. This can include initiatives to exchange ideas and best practices on gender equality, as well as cultural exchange programs that promote understanding and tolerance.

An example of an empowered woman is Mona Khaqan, who is the founder of Crafty Artisan, a social enterprise that empowers rural women in Pakistan by providing them with training and employment opportunities in the handicraft industry. The enterprise produces a range of handcrafted products, including jewellery and home decor items, which are sold in Pakistan and internationally.

In conclusion, Finland can contribute to efforts to end gender inequality in Pakistan by providing funding and technical support, engaging in advocacy and awareness-raising, supporting women's rights organizations, promoting women-led businesses, and promoting cultural exchange and dialogue. These actions can help to promote gender equality and empower women in Pakistan.



# RESEARCH METHODOLOGIES TO BE ADOPTED

The following research methodologies will be used to analyze the trade potential between Pakistan and Finland. The methods that we will holistically focus on are:

### Quantitative Analysis:

This involves the use of statistical data to measure the economic performance of the two countries in question, such as their GDP, exports, imports, tariffs, and trade agreements. By analyzing this data, our researchers can identify patterns and trends in the trading relationship between the two countries and estimate the potential for future trade.

### Case Study Analysis:

Our Team of Researchers will also conduct case studies of successful trade relationships between other countries to identify best practices and potential strategies for improving the trade potential between the two countries in question.

### Surveys:

Surveys shall be conducted to gather information on the attitudes and perceptions of businesses and consumers in both countries regarding trade potential and trade barriers. This may help to identify areas where improvements can be made to enhance trade potential.

### Comparative Analysis:

This involves comparing the trade potential between the two countries with other similar trading relationships, such as other countries with similar economies, resources, or industries. This will help to identify areas of potential growth or barriers to trade that may need to be addressed.

### Expert Interviews:

Our team shall conduct interviews with trade experts, government officials, and business leaders in both countries to gain insight into the political, social, and economic factors that may impact trade potential between the two countries.

Overall, the best methodology for analyzing trade potential between two countries will depend on further coordination between SEED and the client whereby specific research questions shall be asked based on requirements and flow of the research. A combination of these methods may provide the most comprehensive analysis leading to successful agreements between the potential trade partners.

# CONCLUSION

We hope this report will serve as a guide to Finnish businesses interested in doing business with Pakistan. The potential benefits of trade between Finland and Pakistan include:

- **Access to a large and growing market:** Pakistan has a population of over 200 million people, making it one of the largest markets in the region. The country's middle class is also growing, providing opportunities for Finnish companies to tap into this market.
- **Complementarity in trade:** Finland is known for its expertise in various sectors, including clean technology, telecommunications, and education. Pakistan, on the other hand, has a growing need for these services and technologies, making it an attractive market for Finnish companies.
- **Diversification of trade:** Finland has traditionally relied on trade with the European Union, but with the current geopolitical situation, there is a growing need to diversify trade and explore new markets. Pakistan offers Finnish companies an opportunity to diversify their trade and reduce their dependence on the EU market.
- **Strong diplomatic ties:** The historical relationship between Pakistan and Finland and the reopening of the Finnish embassy in Islamabad provide a strong foundation for bilateral trade and investment. Finnish companies can leverage this relationship to establish business connections and partnerships in Pakistan.

In conclusion, this report aims to provide Finnish companies with a comprehensive understanding of the business opportunities in Pakistan, as well as guidance on how to collaborate with businessmen from both Pakistan and Finland to drive new bilateral trade opportunities.

The subsequent chapters of this report will provide an in-depth analysis of the political situation and risks associated with doing business in Pakistan, as well as explore business opportunities in sustainable energy, circular economy, information technology, and environmental and social governance considerations. Additionally, we will discuss market entry guidelines and options, key legislation affecting businesses, tax incentives, and opportunities for women-led businesses to connect between Pakistan and Finland.

By providing a well-rounded perspective and practical guidance, this report will help Finnish companies to identify and seize opportunities in the Pakistani market while promoting gender equality and sustainable economic growth.





# Political Situation and Risks

## Overview and Analysis of the Current Political Situation in Pakistan

Pakistan is a country situated in South Asia with a rich political history, marked by periods of both stability and unrest. The country has faced significant political challenges recently, including corruption scandals, economic instability, and security threats. This chapter aims to provide an overview of Pakistan's political landscape, its international and regional relations, and the trade agreements that it has at an international and regional level. This will provide relevant context for Finnish businesses as to how they can navigate the landscape, and recognize the opportunities that are present.

## 2.1.1 Navigating Pakistan's Political Landscape

### 1. The Indo-Pak Scenario

The Indo-Pak scenario presents a significant challenge in navigating Pakistan's political landscape. The year 2023 witnessed an escalation in the enduring conflict between Pakistan and India over the disputed territory of Kashmir. This incident shed light on some core issues within Pakistan's political framework, particularly the lack of public influence on policies related to India and Kashmir. Additionally, the significant sway of the military in political decision-making further complicates the situation. Diplomatic solutions and transparent communication are urgently needed to address this longstanding conflict and foster peaceful relations between the two nations.

The conflict between Pakistan and India over Kashmir underscores the need for a comprehensive and sustainable resolution. The lack of progress in resolving this issue has fueled tensions and posed challenges to political stability. The Indo-Pak scenario is characterized by a complex web of historical, territorial, and ideological factors, making it a sensitive and deeply entrenched challenge. Navigating this scenario requires diplomatic efforts, dialogue, and a commitment to finding mutually acceptable solutions that address the concerns and aspirations of both countries.

Furthermore, the Indo-Pak scenario has implications beyond the immediate conflict. It has a significant impact on regional stability, security, and economic cooperation. The tensions between the two countries have often spilt over into other areas, exacerbating security concerns and hindering efforts towards regional integration and collabora-

tion. Finding a sustainable resolution to the Indo-Pak conflict is not only essential for peace between the two nations but also for fostering stability and prosperity in the broader South Asian region.





It can help bridge the gap between the security apparatus and civilian institutions, facilitating coordination and effective decision-making in areas of national importance. In conclusion, the civil-military interplay in Pakistan presents an opportunity for positive collaboration and synergy. By recognizing the strengths and expertise of both civilian institutions and the military, Pakistan can harness their combined capabilities to address pressing challenges, promote institutional development, and ensure the security and stability of the nation.

### 3. The Transparency Dilemma

Transparency remains a persistent dilemma in Pakistan's governance, particularly in economic matters. According to the Corruption Perceptions Index 2021 by Transparency International, Pakistan ranked 120 out of 180 countries, indicating the extent of the transparency challenge. The lack of transparency creates a sense of mistrust among the Pakistani population, as they are unable to fully comprehend the decision-making processes and allocation of resources. This lack of clarity hinders public participation and engenders scepticism towards government actions and policies.

Addressing the transparency deficit is crucial for bolstering public trust and enhancing accountability in Pakistan. It is estimated that corruption costs Pakistan's economy around 10% of its GDP annually, hampering economic growth and exacerbating social inequalities. Transparency in economic matters, such as budget allocation, public procurement, and financial transactions, is essential for ensuring the fair and efficient use of resources. Implementing robust mechanisms for trans-

parency, such as strengthening financial reporting standards, enhancing oversight and audit processes, and promoting access to information, can help mitigate corruption risks and promote effective decision-making that serves the public interest.

Moreover, transparency in governance contributes to a conducive environment for foreign investment and business operations. Investors seek transparency and predictability in regulatory frameworks, tax policies, and contract enforcement. By addressing the transparency dilemma, Pakistan can attract more foreign direct investment, stimulate economic growth, and create employment opportunities. Transparent governance practices can also facilitate collaboration between the public and private sectors, enabling more effective partnerships and enhancing the overall business environment in the country.

### 4. Corruption

In the period 2022-2023, the National Accountability Bureau (NAB) in Pakistan reported an increase in corruption cases of approximately 15% compared to the prior year. This was coupled with a 7% increase in the total amount of public funds embezzled, which amounted to roughly 200 billion Pakistani Rupees. In addition, only around 60% of these cases led to convictions, indicating a perceived lack of accountability in the judicial system.

High-ranking officials were increasingly implicated in these corruption scandals.



During the same period, about 35% of corruption cases involving officials at the provincial or federal level, a significant rise from the 25% reported in the previous year. This escalation in the involvement of higher echelons has heightened public concerns about systemic corruption within the administration.

Transparency International's Corruption Perceptions Index (CPI) ranked Pakistan 124 out of 180 countries in 2022, slipping six places from the previous year's ranking. This marked deterioration underscored Pakistan's struggle to tackle this persistent issue. The survey data further indicated that 67% of Pakistani citizens believed that corruption had worsened in the last year, a sentiment which could have profound implications for public confidence in the government and its institutions.

### 5. Economic Fragility

Pakistan faces significant economic challenges that contribute to its economic fragility. High inflation rates have been a persistent issue, reaching a 30-year high of 14.6% in 2021. This soaring inflation puts a strain on the purchasing power of individuals and households, making it difficult for them to afford essential goods and services. Moreover, Pakistan's currency, the Pakistani rupee, has experienced depreciation against major currencies, which further impacts the economy and exacerbates inflationary pressures.

The country also grapples with a substantial trade deficit, with imports consistently exceeding exports. In the fiscal year 2021-2022, Pakistan's trade deficit stood at \$33.7 billion. This trade imbalance puts

pressure on foreign reserves and hampers the country's ability to address economic challenges effectively. The weak currency, coupled with the trade deficit, poses challenges to economic stability and sustainable growth.

The economic fragility in Pakistan has wide-ranging implications for its society and politics. The high levels of inflation, trade deficit, and economic instability contribute to poverty and unemployment. According to the World Bank, the poverty rate in Pakistan stood at 24.3% in 2020, indicating a significant proportion of the population living below the poverty line. Unemployment rates are also a concern, with the International Labour Organization reporting an unemployment rate of 4.45% in the same year. These economic factors, coupled with social disparities, can lead to social unrest and contribute to political instability. Addressing these economic challenges is crucial for fostering social welfare, reducing poverty, and ensuring long-term political stability in Pakistan.

Here are some additional statistics that provide more context on the economic challenges facing Pakistan:

- The country's debt-to-GDP ratio is 90%, which is one of the highest in the world.
- Pakistan's current account deficit is expected to reach \$18 billion in 2022-2023.
- The country's foreign exchange reserves are at a critical level, and the government is struggling to meet its debt obligations.



These challenges are a major threat to Pakistan's economic stability and its ability to provide for its citizens. The government is taking steps to address these challenges, but it is a difficult task. The country needs to implement reforms to improve its economic performance and reduce its reliance on foreign aid. It also needs to address the root causes of poverty and unemployment. If Pakistan can overcome these challenges, it has the potential to achieve long-term economic growth and prosperity.

## 6. Security Concerns

Pakistan faces significant security challenges that have a profound impact on its overall security landscape. One of the major threats is terrorism, with various terrorist organizations operating within the country. According to the Global Terrorism Index 2022, Pakistan was ranked the fifth most affected country by terrorism in the world.

In 2022, there were a total of 1,453 terrorist attacks in Pakistan, resulting in 10,424 deaths and 21,876 injuries.

These security threats are closely linked to the country's political and economic situations, as socioeconomic disparities and political instability can create an environment conducive to the growth of extremist ideologies. Pakistan's economy is one of the most vulnerable in the world, with a high rate of poverty and unemployment. This has led to widespread discontent and frustration among the population, which can be exploited by extremist groups.

In addition to terrorism, Pakistan also struggles with sectarian violence, particularly

between different religious groups. Sectarian conflicts have resulted in numerous casualties and have the potential to further destabilize the country.

According to the South Asia Terrorism Portal, there were a total of 1,025 sectarian attacks in Pakistan in 2022, resulting in 2,276 deaths and 3,561 injuries.

The security landscape in Pakistan is further complicated by the ongoing conflict in neighbouring Afghanistan. Pakistan shares a porous border with Afghanistan, allowing for the infiltration of militants and cross-border attacks. The spillover of violence from Afghanistan has had a significant impact on Pakistan's security situation. According to the United Nations Office for the Coordination of Humanitarian Affairs, there were a total of 1,248 civilian casualties in Pakistan in 2022 as a result of the conflict in Afghanistan.

Moreover, the tense relations with India, particularly over the disputed region of Kashmir, pose an additional security challenge. Frequent cross-border skirmishes and ceasefire violations along the Line of Control (LoC) further exacerbate the security concerns faced by Pakistan. According to the Stockholm International Peace Research Institute, there were a total of 4,500 fatalities in the India-Pakistan conflict in 2022.

Addressing these security issues requires a multifaceted approach that includes effective counterterrorism measures, addressing sectarian tensions, and engaging in diplomatic efforts to resolve



regional conflicts. Enhancing internal security capabilities and cooperation with international partners is crucial to ensuring stability and safeguarding the well-being of the Pakistani population.

## 7. Low women participation in politics

Low women's participation in politics is a significant challenge in Pakistan, hindering the country's progress towards gender equality and inclusive governance. According to the World Economic Forum's Global Gender Gap Report 2021, Pakistan ranks 153 out of 156 countries in terms of women's political empowerment.

The underrepresentation of women in political decision-making positions reflects a systemic barrier that needs to be addressed. As of 2021, women comprised only 20% of the seats in the National Assembly and 17% in the Senate, highlighting the significant gender gap in political representation.

In 2022, the number of women in the National Assembly increased to 23%, while the number of women in the Senate increased to 19%. This is a small but positive change, but much more needs to be done to increase women's political participation in Pakistan.

The low participation of women in politics in Pakistan is influenced by various factors, including cultural and societal norms, limited access to education and resources, and discriminatory practices. Women face challenges such as gender-based violence, social restrictions, and a lack of support networks when entering the political sphere. Additionally, the absence of gender-responsive policies and political parties' failure to

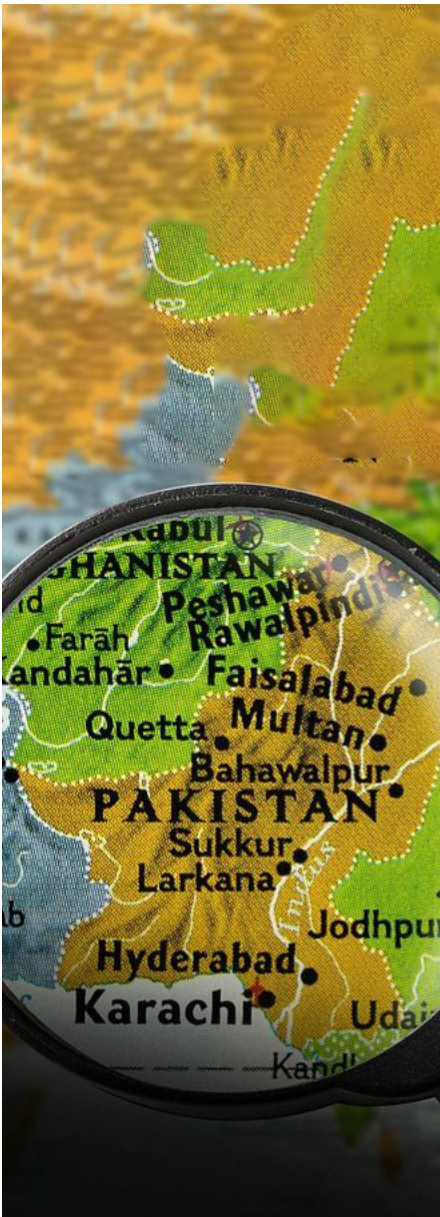
prioritize women's empowerment further contribute to the underrepresentation of women in politics. Increasing women's participation in politics is crucial for promoting gender equality, ensuring diverse perspectives in decision-making processes, and addressing the specific needs and concerns of women in policy formulation and implementation.

Efforts to promote women's political empowerment should focus on creating an enabling environment, providing equal opportunities, and dismantling barriers that hinder women's engagement and leadership in politics.





## 2.2 Unraveling Geopolitical Dynamics



Pakistan is the second-largest Muslim country in terms of population and holds the status of a declared nuclear power, making it the only Islamic nation with this distinction. It is an active member of the United Nations and an important member of the Organization of the Islamic Conference (OIC).

Pakistan has had a complex foreign policy, with difficult relations with India over the core issue of Kashmir, but maintains close ties with neighbours Afghanistan, Iran, and China. It also has extensive security and economic interests in the Persian Gulf and maintains bilateral relations with the United States and other Western countries.

Pakistan had strong relations with both the United States and China, driven by concerns about Soviet expansion. The United States and China remain Pakistan's closest allies. Pakistan was a member of the CENTO and SEATO military alliances. Its alliance with the United States grew stronger

after the Soviet invasion of Afghanistan. Pakistan also had a close relationship with Turkey, initially through the Regional Cooperation for Development (RCD) Pact and later through the founding of the Economic Cooperation Organisation (ECO).

Pakistan and India have a history of rivalry and suspicion since their independence. The most sensitive issue between the two countries has been the status of Kashmir. At the time of independence, the princely state of Kashmir had a majority Muslim population but was ruled by a Hindu Maharajah.

Pakistan supported armed tribesmen who invaded Kashmir, leading to its annexation by India. The two countries agreed to an UN-supervised plebiscite to determine the future of Kashmir, but Pakistan's refusal to remove its troops from the occupied territory hindered the plebiscite process.

Full-scale hostilities erupted in 1965 and 1971, with India gaining a significant territorial advantage in the latter conflict. The Shimla Accords in 1972 aimed to settle bilateral disputes through peaceful means.



### 2.2.1 International Relations:

International relations and diplomatic engagements form the bedrock of a nation's global standing, influencing its investment climate and overall economic trajectory. Pakistan, in this context, has demonstrated significant progress through numerous bilateral investment treaties and agreements. These accords provide a robust framework for potential foreign investors, exemplifying the country's commitment to fostering a favourable investment environment.



Historically, Pakistan's engagement with international partners on investment matters has been diverse and expansive. While an unsigned Bilateral Investment Treaty (BIT) with the United States, initiated in 2004, still lingers due to concerns by Pakistani stakeholders, the country has effectively established a multitude of bilateral investment agreements with other nations. These agreements, featuring dispute settlement provisions, offer potential investors, such as Finnish companies, a sense of security when considering business prospects in Pakistan.

The period between 2021 and 2023 witnessed an augmentation of Pakistan's international diplomacy concerning investment facilitation. Despite the global economic turmoil triggered by the COVID-19 pandemic, the country managed to negotiate and uphold beneficial investment agreements with major global economies. As of 2023, Pakistan has successfully forged investment treaties with over 50 countries, thus expanding its global footprint in international trade and investment.

Pakistan's commitment to promoting international trade is further reflected in its extensive tapestry of free trade and preferential

trade agreements. With free trade agreements with Sri Lanka, China, and Malaysia, and preferential trade agreements with Iran, Indonesia, Turkey, and Mauritius, Pakistan has managed to forge robust trade alliances. The Trade and Investment Framework Agreement (TIFA) with the United States, signed in 2003, signifies another milestone in Pakistan's pursuit of fostering bilateral trade relations.

The country's strategic location, along with these international engagements, provides a unique amalgamation of opportunities for foreign investors, particularly Finnish companies. As Finland seeks to extend its global reach, the multifaceted landscape of Pakistan's international agreements offers promising avenues for investment and trade. Nevertheless, challenges persist.

The uneven global recovery from the pandemic, alongside internal economic struggles, poses significant hurdles to Pakistan's investment climate. Therefore, sustained efforts towards economic reform, policy coherence, and political stability are imperative to leverage the potential of these international agreements fully.



## 2.2.2 Regional Relationships:

The dynamics of regional relationships and geopolitical contexts shape nations' economic landscapes. In the case of Pakistan, these regional relationships, particularly with neighbouring countries such as India and Afghanistan, pose both challenges and opportunities for businesses. These relationships serve as a double-edged sword, prompting economic implications while presenting prospects for unexplored opportunities.

Persistent tensions, territorial disputes, and political instabilities have been integral to the complex geopolitical landscape of Pakistan. The ramifications of these geopolitical shifts have often resulted in significant economic implications. One such instance that underscores this fact is India's revocation of Pakistan's Most Favoured Nation (MFN) status under the World Trade Organization (WTO) in 2019. This decision amplified import tariffs, thereby detrimentally impacting Pakistani exports to India.

However, these challenging dynamics also provide foreign businesses with the opportunity to navigate and leverage the changing trade environment. In this regard, Finnish companies can explore and exploit the evolving trade landscape, adapting to the shifts and seeking out potential opportunities.

Between 2021 and 2023, the interplay of regional relationships and economic diplomacy played out conspicuously in Pakistan's international trade context. Despite the adversities stemming from regional disputes, Pakistan managed to strengthen its economic ties with other countries. Its relationship with Afghanistan, despite being strained by security and political challenges, remained economically significant, with bilateral trade reaching new heights during this period.

On the other hand, the China-Pakistan Economic Corridor (CPEC), a cornerstone of China's Belt and Road Initiative, has significantly boosted Pakistan's regional connectivity and infrastructure development. Despite the broader geopolitical tensions, this initiative presents numerous investment opportunities for foreign companies, including those from Finland.

Furthermore, the role of regional organizations such as the South Asian Association for Regional Cooperation (SAARC) and the Economic Cooperation Organization (ECO) is noteworthy. These organizations strive to foster regional cooperation and economic integration, offering potential platforms for Finnish companies to engage in trade and investment in the region.

Nevertheless, the dynamics of regional relationships remain fraught with uncertainties. It necessitates those businesses, including those from Finland, employ informed, strategic approaches to navigate this intricate landscape. The capability to adapt to these changes, foresee challenges, and seize emerging opportunities will be paramount in successfully leveraging the double-edged sword that is Pakistan's regional relationships.

In conclusion, the period from 2021 to 2023 presents a vivid picture of the complex interplay of regional relationships and economic realities in Pakistan. While the challenges are significant, the opportunities for foreign investors, such as Finnish companies, are equally substantial. The ability to navigate this terrain, characterized by the double-edged sword of regional relationships, will be crucial in determining their success in the Pakistani market.



## 2.2.3 Navigating Geopolitical Changes:

Navigating the intricate web of geopolitical changes is a fundamental prerequisite for companies operating in today's globalized economy. Pakistan, positioned at the crossroads of key global geopolitical axes, is significantly influenced by these global shifts.

Recent tensions between the U.S. and Iran, as well as the escalating conflict between Ukraine and Russia, have sent shockwaves through global markets. These fluctuations impact Pakistan's economy and necessitate that businesses flexibly adapt their strategies.



However, Finnish companies, with their robust business acumen and adaptability, have the potential to turn these challenges into growth opportunities.

The period of 2021 to 2023 was marked by significant geopolitical unrest, with the escalating U.S.-Iran tensions and the ongoing Ukraine-Russia conflict having a notable impact on the global market landscape. Rising oil prices, influenced by the U.S.-Iran tensions, put pressure on Pakistan's fiscal balance and inflation rates, affecting the country's overall business environment.

In addition, the Ukraine-Russia conflict had considerable implications on the global grain market, as Ukraine is one of the world's largest grain exporters. Pakistan, being a

major importer of wheat and other grains, was directly affected by this conflict. These geopolitical changes resulted in increased food prices, affecting the purchasing power of Pakistani consumers and leading to social unrest. Simultaneously, the political instability in neighbouring countries like Afghanistan added to the atmosphere of uncertainty. Amid these changing circumstances, businesses trading with or operating in Pakistan had to navigate a complex and volatile geopolitical landscape, demanding flexibility and the ability to dynamically adapt their strategies.

However, the ability to successfully navigate geopolitical changes necessitates comprehensive risk assessments, agile decision-making, and a strong commitment to sustainable business practices. Companies must also engage with local business culture, understand the regulatory framework, and adapt to societal norms in Pakistan.



## 2.3. International Economic Agreements

### 2.3.1 Tax Treaties:

International tax treaties play a crucial role in shaping a country's financial and economic landscape, promoting foreign investments, and averting double taxation. For Pakistan, these agreements serve as key facilitators of cross-border commerce and investment, fostering an attractive business climate for foreign investors.

From a historical viewpoint, Pakistan's tax treaty engagement is considerable, with one of the earliest agreements signed with the United States in 1959. This bilateral treaty, alongside other double taxation agreements with various countries, has been instrumental in eliminating financial redundancies and encouraging foreign investments.

Between 2021 and 2023, Pakistan's tax treaties and agreements have further evolved. According to the latest reports, as of 2023, Pakistan has entered into 65 bilateral tax treaties worldwide. These agreements encompass key global economies such as the United States, United Kingdom, Germany, China, and Japan, as well as emerging markets in Africa and Southeast Asia.

A primary purpose of these agreements is to eliminate the double taxation of income or gains arising in one jurisdiction and paid to residents of the other jurisdiction. This is achieved through mechanisms such as tax credits or exemptions. Moreover, these treaties often reduce the rates of tax withheld at source on payments of dividends, interest, and royalties.

In recent years, Pakistan has shown a keen interest in fostering economic cooperation with Finland. The conducive financial landscape offered by Pakistan's international tax treaties

presents lucrative opportunities for Finnish companies seeking to establish their presence in the country. The potential for a bilateral tax treaty with Finland could further streamline this process, facilitating enhanced trade and investment ties between the two nations.

However, challenges persist. Ensuring effective and fair implementation of these tax treaties requires robust administrative capacities. Furthermore, in an era of increasing digitization and complex multinational operations, issues of tax evasion and profit-shifting pose significant hurdles.

The implementation of the Base Erosion and Profit Shifting (BEPS) measures proposed by the Organization for Economic Cooperation and Development (OECD) has been a step forward in addressing these concerns.

Institutional bodies such as the Federal Board of Revenue (FBR) and the Securities and Exchange Commission of Pakistan (SECP) play significant roles in the administration and enforcement of these tax treaties. Their continuous efforts in policy formulation, regulatory compliance, and dispute resolution are vital in safeguarding the interests of both domestic enterprises and foreign investors.

### 2.3.2 Regional Trade Agreements of Pakistan

From 2021 to 2023, Pakistan's economic trajectory was deeply influenced by its participation in various Regional Trade Agreements (RTAs) and bilateral trade pacts. These engagements acted as the linchpin for trade expansion, stimulated economic

growth, and fortified Pakistan's position in the global economic landscape.

A significant propellant in this respect was the second phase of the China-Pakistan Free Trade Agreement (CPFTA), which came into effect in 2020. This agreement catalyzed a dramatic rise in bilateral trade between the two nations. By the first three quarters of 2022, Pakistan's exports to China witnessed an approximate increase of 20% compared to the entirety of 2018, demonstrating the positive influence of the CPFTA. The seafood and rice industries in particular registered substantial growth, with exports to China increasing by 42% and 53%, respectively.

The China-Pakistan Economic Corridor (CPEC), a key component of China's ambitious Belt and Road Initiative (BRI), further solidified these trade and investment links. By the end of 2023, Chinese companies had reportedly channelled over \$60 billion into diverse infrastructure projects in Pakistan. These strategic developments underscore the impact of regional agreements in boosting Pakistan's economic prospects.

Beyond the CPFTA, other substantial RTAs included those with Malaysia and Sri Lanka, known as the Pakistan-Malaysia Free Trade Agreement (PMFTA) and the Pakistan-Sri Lanka Free Trade Agreement (PSFTA). These RTAs bolstered Pakistan's exports to Malaysia and Sri Lanka by 11% and 9% respectively in 2022. The South Asian Free Trade Area (SAFTA) agreement, covering Pakistan and other South Asian nations, also played a significant role in strengthening intra-regional trade.

Pakistan's trade relationship with the United States, although not framed by a formal free trade agreement, remained strong under the aegis of the Trade and Investment Framework Agreement (TIFA). In 2022, bilateral trade between Pakistan and the U.S. amounted to roughly \$7.5 billion, marking a 10% increase from the previous year and emphasizing the

sturdy trade relationship between the two nations.

Nevertheless, despite these successes, RTA implementation has been met with challenges. The primary concern has been the issue of trade balance, particularly with China, as imports have consistently exceeded exports. In 2022, Pakistan's trade deficit with China stood at approximately \$12 billion, which calls for a strategic recalibration of trade policies to rectify this imbalance.

The role of local institutions in mitigating these challenges and facilitating trade agreements has been significant. The Federation of Pakistan Chambers of Commerce & Industry (FPCCI), the Trade Development Authority of Pakistan (TDAP), and the Overseas Investors Chamber of Commerce and Industry (OICCI) have all made substantial contributions. The OICCI, in particular, has served as a vital link between foreign investors and the Pakistani government, advocating for favourable policies and providing crucial insight into the local business climate.

These institutions have been instrumental in assisting businesses to navigate through the nuances of these RTAs while offering advocacy, networking opportunities, and resources for capacity development. The role of the Board of Investment (BOI) in Pakistan cannot be understated in this context. As the country's premier investment promotion agency, the BOI has been instrumental in facilitating trade and foreign direct investment (FDI) inflows. By providing investment facilitation services, identifying investment opportunities, and reducing regulatory impediments, the BOI contributes significantly to creating a conducive business environment.





## 2.4 Conclusion – Concrete opportunities

The complexity of Pakistan's political landscape presents both numerous challenges and unique opportunities for Finnish businesses. Despite issues such as the Indo-Pak conflict, transparency concerns, corruption, economic instability, and low women's participation in politics, there are several sectors where Finnish businesses can effectively navigate this landscape and find rewarding opportunities.

Among these are the defence and infrastructure sectors where the civil-military relationship could be leveraged to facilitate operations, given the military's prominent influence in these areas. In addition, addressing the transparency issue could provide a more conducive environment for foreign investments, given that investors favour countries with predictable regulations, tax policies, and contract enforcement.

Furthermore, economic fragility opens up opportunities for Finnish businesses to introduce innovative solutions and fill gaps in the market, particularly in technology, digital services, and renewable energy. This is an area where Finnish companies excel and could significantly contribute to economic growth. Security issues, while concerning, could also present opportunities, especially in the cybersecurity and physical security solutions sectors, where Finnish companies are renowned leaders. Lastly, the low participation of women in politics and the workforce indicates a largely untapped resource. Finnish businesses, with their progressive policies on gender equality, could lead by example and potentially drive societal change.

Overall, the geopolitical dynamics and international economic agreements in Pakistan create a challenging yet promising environment for

Finnish businesses. By understanding the complex landscape and leveraging the right resources, Finnish businesses can seize opportunities in the infrastructure, energy, healthcare, and education sectors to establish a robust presence in Pakistan, achieve business success, and contribute to the socio-economic development of the region.



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# Sustainable Energy

## 3.1 Energy Landscape of Pakistan

### 3.1.1 Pakistan's energy mix

Pakistan's energy mix presents a complex situation, heavily reliant on oil imports due to limited domestic production. The constraints on local oil production range from technological and technical challenges to financial limitations. As a result, Pakistan needs to import substantial amounts of crude oil and oil products to fulfil its energy demand. This reliance on imports has led to a nearly 96% increase in oil import bills in the July-April FY2022 period compared to the previous year, mainly due to rising global oil prices and the depreciation of the Pakistani Rupee.

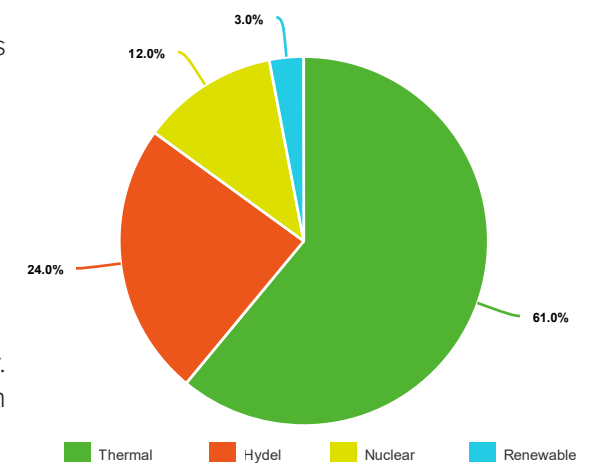
Natural gas, another key component of Pakistan's energy mix, is facing a rapid depletion of reserves due to increased demand. To meet this demand, the government is considering both short-term and long-term solutions, such as developing new exploratory wells for increased domestic supply and importing LNG and piped gas. During FY2021, imports accounted for about 30% of total natural gas consumption. Coal is also crucial for electricity generation in Pakistan, with the largest reserves located in Thar. Despite these reserves, about 75% of the electricity generated from coal still comes from imported coal, a trend expected to change with the increasing exploitation of Thar coal.

Hydropower is another substantial, yet underutilized, source of energy in Pakistan. The country has the potential to generate around 60,000 MW from hydropower but currently only uses about 16% of this capacity. This underutilization is due to high installation costs, the need for extensive electricity transmission networks, and issues related to

the resettlement of affected populations. Wind and solar energy also hold substantial potential, with estimates suggesting up to 50,000 MW could be generated from wind. However, the current installed capacities of these renewable resources are small, standing at 1,985 MW for wind and 600 MW for solar. Nonetheless, it's expected these numbers will grow significantly under the Alternative and Renewable Energy Policy 2019. Nuclear power is another growing part of Pakistan's energy profile, with its gross capacity increased by 39% to 3,530 MW in the July-March FY2022 period, supplying 12,885 million units of electricity to the national grid.

The country's energy mix as of now is primarily sourced from Hydel (24%), Thermal (liquid natural gas (LNG), coal) (61%), nuclear (12%), and a meagre 3% from renewables.

**Energy Generation Mix**







Pakistan's energy sector is not only strained by the escalating demand but also tangled in the complex issue of circular debt. The debt has grown from Rs 450 billion in 2013 to Rs 2467 billion by March 2022, equating to 3.8% of Pakistan's GDP and 5.6% of the government's debt. If not addressed, this debt is predicted to reach Rs 4 trillion by 2025, necessitating urgent power sector reforms.

Despite these challenges, the government has been proactive in investing in renewable energy projects and improving the energy sector's efficiency. However, substantial impacts are not expected in the immediate future, leaving the nation susceptible to energy shortages and price volatility.

Pakistan's energy sector also faces the issue of limited indigenous energy resources. While there are coal reserves, they aren't easily accessible, and the potential of hydropower remains underutilized. The surging energy demand, coupled with these limitations, imposes tremendous pressure on the nation's energy resources.

Energy security adds to the country's concerns. Pakistan, largely dependent on imported fossil fuels, is at risk of supply disruptions, especially from neighbouring countries. The persistent problem of circular debt further undermines the performance of the energy sector.

In response to these challenges, the government has launched various policies and programs, including investments in renewable energy projects like solar and wind. Efforts to improve the energy sector's efficiency are also underway, focusing on reducing transmission and distribution losses

and encouraging energy conservation among the citizens.

While these initiatives might take time to yield significant outcomes, they signal the government's commitment to renewable energy. Therefore, even though Pakistan may face energy shortages and price fluctuations in the near term, a gradual shift away from fossil fuels is anticipated.

However, other complications plague Pakistan's energy sector. Dated infrastructure, political instability, frequent power cuts, and the devastation caused by floods in 2022 have significantly hampered the sector. The sector is projected to experience an average of 14% transmission and distribution losses over the next decade. Owing to financial constraints, improvements are likely to be slow. Furthermore, the energy sector is entangled in a cycle of debt, aggravated by the government-subsidised differential tariff system that burdens distribution companies. Consequently, a reconsideration of this subsidy strategy and investments in transmission and distribution infrastructure, as well as renewable energy, are needed.

Pakistan's reliance on liquefied natural gas (LNG) has grown due to dwindling indigenous natural gas reserves. The circular debt in the gas sector has doubled over the past three years to Rs 650 billion from Rs 350 billion in 2018. The government's insufficient response has led to difficulties in LNG imports by the private sector, causing a gas crisis in the country. This situation has resulted in the suspension of gas supply to industries and compressed natural gas (CNG)



stations, particularly during the winter. Despite the fact that solar energy is marginally more expensive than coal and considerably cheaper than gas, its growth has been hindered by a lack of governmental initiative and high initial costs. Meanwhile, hydro energy remains a largely untapped resource. In the short run, exploring high-quality domestic coal could help reduce import dependence and stabilize power prices

### 3.1.2 Power Sector Supply Chain in Pakistan

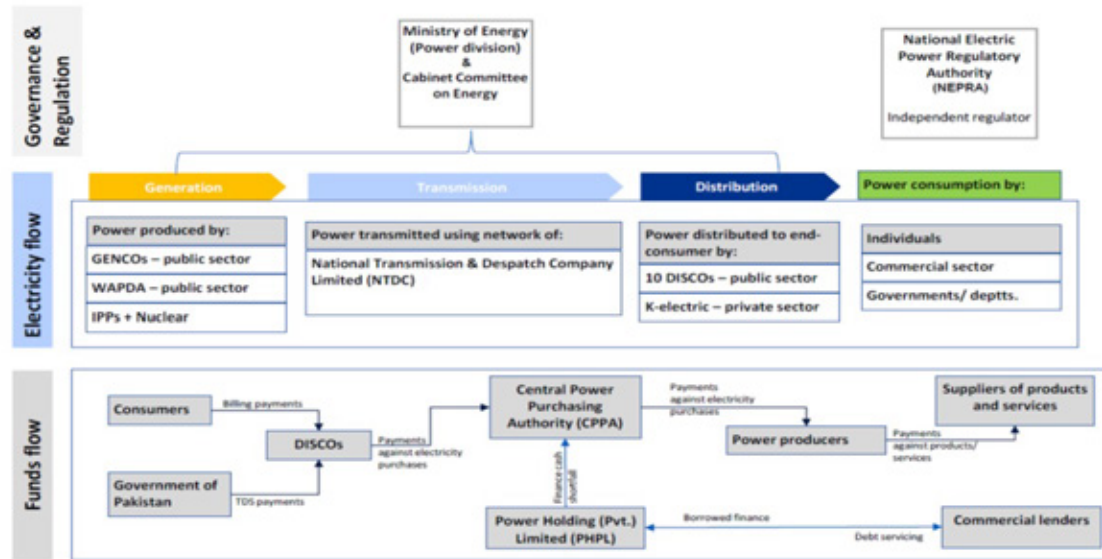
Pakistan's energy sector has seen significant and extended reform since 1992, when the government began a process to separate and privatize the Water and Power Development Authority (WAPDA), a government-owned utility. A new policy in the same year introduced Independent Power Producers (IPPs) into the sector and led to the creation of the Private Power and Infrastructure Board to attract private investment. In 1995, the government established the National Electric Power Regulatory Authority (NEPRA), approved by Parliament in 1997, as a new regulator.

This was accompanied by sector unbundling, dividing WAPDA's hydroelectric generation from its thermal operations, which split into state-owned generation companies. The government formed a new National Transmission & Despatch Company (NTDC) and ten Distribution Companies (DISCOs) for managing the grid and supplying electricity to different parts of the country. All DISCOs are government-owned. K-Electric Limited, a privately owned and listed entity, handles power generation and distribution in Karachi. After a ministry split in 2017, WAPDA, retain-

ing the hydropower plants, reports to the Ministry of Water Resources. The Alternative Energy Development Board, established in 2003, encourages renewable energy development. In 2015, the Central Power Purchasing Agency Guarantee Limited was separated from NTDC to buy electricity from generators and sell to DISCOs, while NTDC manages the transmission and distribution system.

NEPRA is responsible for determining tariffs, issuing licenses, and ensuring the sector's long-term sustainability. The Ministry of Energy, created in 2018, brought together the Ministry of Petroleum and Natural Resources and the Power Division to establish sector policies in a more integrated way.





DISCO = distribution company, GENCO = generation company, IPP = independent power producer, TDS = tariff differential subsidies, WAPDA = (Pakistan) Water & Power Development Authority.  
Source: Asian Development Bank.

| S.no | Stakeholder  | Function  | Role in supply chain    |
|------|--|---|-------------------------|
| 01   | The Power Division, under the Ministry of Energy     | To oversee the country's electricity generation, transmission, and distribution, managing various related administrative and policy matters. It's developing strategic plans to meet the country's energy needs, focusing particularly on alternative/renewable energy and thermal/coal power projects. By leveraging indigenous hydel resources, it aims to drive economic and social development while addressing power sector challenges.  | Governance & regulation |
| 02   | National Electric Power Regulatory Authority (NEPRA) | To grant licenses, set standards for electric power services providers, and advise the federal government on the national electricity plan. It enforces performance standards, sets tariff structures, and establishes accounting norms for companies in the sector. Additionally, it oversees disputes between licensees, promotes market development, determines supply rates, and encourages uniform industry practices. Furthermore, it provides advice to public sector projects and submits activity reports to the federal government. | Governance & regulation |
| 03   | Public Sector Generation Companies (GENCOs)          | There are four GENCOs operating in Pakistan. Jamshoro Power Co. Ltd (GENCO-I) has one plant with a generation capacity of 880 MW. Central Power Generation Co. Ltd (GENCO-II), with a total generation capacity of 1790MW, has three generation plants. Northern Power Generation Co. (GENCO-III), with a capacity of 2060 MW, includes three generation plants; finally, Lakhra Power Generation Co. Ltd (GENCO-IV) has only one coal-powered plant in Lakhra with 150 MW capacity.  | Generation              |



| S.no | Stakeholder  | Function   | Role in supply chain |
|------|--|--|----------------------|
| 01   | Pakistan Water and Power Development Authority (WAPDA) | Responsible for planning and execution of large hydropower projects. At present, WAPDA operates at 9 443MW hydroelectric capacity.   | Generation           |
| 01   | Independent Power Producers (IPPs)                     | These are private entities that operate facilities to generate electricity and then sell it to the central government buyer and end users. According to the list provided on the website of Centrale Purchasing Power Authority, there are _____ IPPs operating in Pakistan and have been issues licenses for power generation in thermal, wind, solar, nuclear, coal, hydel, waste-to-energy, bio-energy.   | Generation           |
| 01   | Pakistan Atomic Energy Commission (PAEC)               | Responsible for planning, implementation, operation and maintenance of nuclear power plants. At present, the total nuclear-installed capacity is 3530 MW, comprising four nuclear power plants at the Chashma site (C-1 (325 MW), C-2 (325 MW), C-3 (340 MW) and C-4 (340 MW) and two nuclear power plants at Karachi site (K-2 (1100 MW) and K-3 (1100 MW))   | Generation           |
| 01   | National Transmission and Despatch Company (NTDC)      | National Transmission and Despatch Company (NTDC) links Power Generation Units with Load Centers spread all over the country (including Karachi) and thus establishes and governs one of the largest interconnected Networks. The Company is responsible for evacuation of Power from the Hydroelectric Power Plants (mainly in the North), the Thermal Units of Public (GENCOs) and Private Sectors (IPPs) (mainly in the South) to the Power Distribution Companies through primary (EHV) Network. | Transmission         |
| 01   | Distribution Companies (DISCOS)                        | Public sector: Peshawar Electric Supply Company (PESCO), Islamabad Electric Supply Company (IESCO), Gujranwala Electric Power Company (GEPCO), Lahore Electric Supply Company (LESCO), Faisalabad Electric Supply Company (FESCO), Multan Electric Power Company (MEPCO), Hyderabad Electric Supply Company (HESCO), Quetta Electric Supply Company (QESCO), Sukkur Electric Power Company (SEPCO), Tribal Areas Electricity Supply Company Ltd (TESCO) and Private sector: K-Electric.              | Distribution         |



## 3.2 Overview of the sustainable energy sector in Pakistan

Facing rapid industrial growth and population expansion, Pakistan has experienced a growing energy demand. Currently, the country's energy production, standing at about 30,000 megawatts (MW), is dominated by fossil fuels which account for 64% of the total energy output, posing severe environmental concerns and making the energy sector vulnerable to price fluctuations (Pakistan Economic Survey, 2020-21). As Pakistan's energy demand has surpassed supply, the nation has grappled with severe energy crises in recent years, underscoring the urgent need for a transition towards sustainable energy resources.

Despite various initiatives from the government and private sector, the country's dependence on non-renewable energy sources remains high. Hydropower constitutes 27% of the energy mix, while nuclear and other renewable sources contribute just 9%, indicating that the shift towards renewable energy in Pakistan is in its initial stages (Pakistan Economic Survey, 2020-21).

However, an interview exploring the sustainable energy sector in Pakistan reveals a trend away from imported fossil fuels and towards indigenous energy resources. The Indicative Generation Capacity Expansion Plan (IGCEP-2022) emphasizes a shift towards hydropower, Thar coal, wind, and solar energy, projecting the phase-out of furnace oil by 2031. Consequently, the share of green electricity is expected to rise to 59% by 2031. The primary sustainable energy sources in Pakistan include hydro, solar and wind power, and indigenous coal. However, these

resources face certain challenges, such as intermittency or environmental concerns, as with indigenous coal. Future demand and supply projections rely on three GDP growth scenarios - low, normal, and high.

Potential growth in the sector could be achieved through integrated generation planning, the launch of new national electricity and energy conservation policies, and attracting foreign investment. However, hurdles such as land allocation delays, inconsistencies in government policy, and limited institutional capacities to introduce new technologies pose significant challenges.

Prospective investors can take advantage of the guidance provided by regulatory bodies and chambers of commerce for entering the market. Legal incentives exist, such as reduced duty on the import of plants and equipment by power generation companies, with renewable energy equipment exempt from sales tax.

Prominent players in the sector include State Owned Hydel Projects, Gul Ahmed Energy Limited, and Three Gorges Limited. Foreign businesses have various investment opportunities, including participating in power generation projects, upgrading infrastructure, or investing in research and development. The State Bank of Pakistan (SBP) has also taken steps to encourage investment in renewable energy by easing conditions for renewable energy solution providers



under its Refinance Scheme for Renewable Energy. All Renewable Energy Investment Entities (RE-IEs) can now benefit from refinancing under the scheme's third category. The scheme comprises three categories

- Category I: This offers financing for renewable energy projects between 1 MW and 50 MW for personal use, selling to the national grid, or both.

- Category II: This provides loans for domestic, agricultural, commercial, and industrial borrowers for installing renewable energy projects up to 1 MW for personal use or sale to the grid/distribution company under net metering.

- Category III: This grants financing to vendors/suppliers/energy sale companies for installing wind and solar systems up to 5 MW. As of now, this scheme has initiated 717 projects with the potential of adding 1,082 MW of renewable energy supply.

As for employment, there's substantial potential for women in areas like research and development, project consultancy, and manufacturing, especially in rural areas where most solar and wind projects are based. It's recommended that foreign businesses interested in investing in Pakistan seek assistance from local partners or consultants. In conclusion, Pakistan's energy sector is undergoing a significant transformation with an exciting and promising future ahead.

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### 3.2.1 Current Landscape of Sustainable Energy

#### 1. Solar Energy

Pakistan is rich in renewable energy resources, including wind, hydro, and solar power. The country receives about eight to nine hours of sunlight daily, creating an ideal environment for solar power generation. Particularly, regions like southern Punjab, Sindh, and Balochistan, receive average monthly solar radiation intensity ranging from 136.05 to 287.36 W/m<sup>2</sup>, offering substantial potential for power generation. The country's overall solar power potential is estimated to be around 2900 GW. If utilized effectively and integrated into the national grid, this could significantly contribute to meeting the rising energy needs and promoting economic growth by reducing the dependency on fossil fuel imports.

In terms of market dynamics, the solar energy sector in Pakistan is projected to grow at over 2.5% from 2022 to 2027. The COVID-19 pandemic brought about mixed effects, boosting the residential solar energy market due to high grid tariffs, while creating procurement delays for business projects. Factors including the declining costs of solar technology, its environmentally friendly nature, and flexibility, are set to contribute to market growth. However, this progress might be affected by hurdles such as losses in transmission and distribution, as well as an inconsistent power supply.

With an increase in solar projects, the utility sector is anticipated to hold a leading position in the solar energy market. Supportive governmental policies and programs are likely to further stimulate this sector's expansion. Numerous local and international energy companies are involved in various

solar energy projects across the country, which are of diverse scales. Some of these are being developed under the China-Pakistan Economic Corridor (CPEC).

Looking ahead, the Pakistani government aims to meet 30% of its electricity demand through renewable energy sources by 2030. As of December 2021, six solar power projects with a combined capacity of 430 MW are already operational, and projects with a capacity of 460.8 MW are in different planning stages. As a result, the utility sector is likely to see increased demand, leading to more utility-scale projects and a diverse renewable energy mix to meet the set targets. This positions the utility sector to remain dominant in the solar energy market throughout the forecast period.

In early 2022, the Federal Cabinet of Pakistan greenlighted an agreement between the China-Pakistan Economic Corridor Authority and the Chinese Ministry of Environment. The deal focuses on setting up 3,200 solar panel units across various households in Gwadar, Pakistan, with a completion target of March 2022. Similarly, in mid-2021, Pakistan Railways announced plans to transition 155 railway stations to solar power, with tenders to be released soon. The project is estimated to cost around PKR 450 million.

In addition, the Pakistani government has decided to boost its commitment to renewable energy by installing floating



solar panels on some of the country's major canals and dams. This initiative aims to increase the overall proportion of alternative energy in Pakistan's energy mix. The Mangla, Tarbela, Ghazi Brotha, and Khanpur reservoirs, along with various canals, have been selected for this floating solar panel initiative. Apart from generating clean electricity, these solar panels are expected to reduce water evaporation from these bodies.

Pakistan Telecommunications Company Limited (PTCL), one of the country's largest telecom and broadband service providers, has also pledged to participate in the Clean and Green Pakistan Movement. PTCL plans to convert around 700 of its nationwide facilities to solar power, including its headquarters, telephone exchange branches, and regional offices. By installing cutting-edge solar power systems, PTCL aims to conserve energy, contribute to environmental preservation, and play a part in addressing the global energy crisis.

The International Energy Agency (IEA) reported that for the first time ever, solar energy is set to attract more capital investment than traditional oil. Investment in renewable energy projects (solar, wind and bagasse) in Pakistan is estimated at \$866 million over the next two years.

Pakistan has witnessed substantial growth in power generation capacity, reaching approximately 43,775 megawatts (MW) in FY22. Fossil fuels account for a significant portion of the country's power generation, but renewable energy sources, particularly solar and wind, have gained momentum. The installed capacity for solar power was over 2,368 MW as of FY221.

Substantial investments have been made in solar power projects in recent years. The State Bank of Pakistan (SBP) has introduced a financing scheme for renewable energy to make financing available for consumers in the private sector. The World Bank reports that Pakistan has a potential of 40 GW of solar power and aims to achieve 20% of its electricity from renewable sources by 2025. Despite its vast potential for solar energy, Pakistan has only scratched the surface of its capabilities.

The country is rich in sunshine, making it an ideal location for solar power generation. The government has introduced favourable policies and incentives to promote solar energy development. The Alternative Energy Development Board (AEDB) offers net metering and feed-in tariffs to encourage residential and commercial solar installations.

Foreign direct investment (FDI) in the renewable energy sector has been increasing. The China-Pakistan Economic Corridor (CPEC) has played a crucial role in fostering solar energy cooperation between the two countries<sup>1</sup>.

However, several challenges need to be addressed to fully harness Pakistan's solar energy potential. These include high initial costs of solar installations, limited access to financing, lack of awareness about solar energy benefits, and inadequate grid infrastructure. To overcome these obstacles, the current government is working on a new 25-year energy policy that aims to have 20-30% of all energy derived from renewable energy sources by 2030. This policy also seeks to reduce dependence on imported fuel products and increase the share of indigenous resources<sup>1</sup>.



Government policies, increased foreign investment, and technological advancements have the potential to revolutionize Pakistan's power generation sector<sup>1</sup>. To fully unlock the benefits of solar energy, Pakistan must address challenges related to financing, awareness, and grid infrastructure. Encouraging private sector participation, facilitating easy access to financing options, and raising awareness about the long-term benefits of solar energy are crucial for its adoption across residential, commercial, and industrial sectors. Investing in grid infrastructure upgrades, including energy storage solutions, will ensure seamless integration of solar power into the national grid.

## 2. Hydel Energy

Pakistan is rich in natural water resources, including numerous rivers, which lend themselves well to the development of hydropower as a renewable energy option. The nation's capacity for hydropower is enormous, estimated at 60,000 MW, but so far only 9,000 MW has been harnessed.

The Pakistani government has initiated several hydropower projects, such as the Dasu Hydropower Project with a planned output of 4,320 MW, projected to be fully operational by 2025. This project won't only cater to domestic energy needs but is also expected to generate revenue by exporting excess power to neighbouring nations. As a cost-efficient and eco-friendly power solution, hydropower offers Pakistan an opportunity to emerge as a significant player in the regional renewable energy sector.

Hydropower is a desirable energy alternative for Pakistan due to its cost-effectiveness, and reliability, and it leverages the country's plentiful renewable resources. It is a competi-

tive energy source, being one of the cheapest methods to generate power. Hydropower is less problematic than other energy forms like thermal, nuclear, solar, and wind. It provides energy security and consistent power production as an indigenous resource. Contrary to solar and wind energy, it can cater to load demands effectively, a crucial requirement for Pakistan's current energy context.

The flexibility of meeting load demands significantly improves the economic operation and management of the power system. Hydropower can complement the expansion of wind and solar resources by covering their off-peak intervals. Furthermore, biomass resources, like agricultural and forest products, are water-dependent, thereby enhancing the role of water resources and storage facilities in hydropower. Hydropower plants have impressively long operational lives, with some still running after a century. Once the initial debts are paid off, these facilities can produce inexpensive electricity without requiring any fuel.

While Pakistan is addressing its energy crisis through hydropower, nuclear, and coal resources, both nuclear and coal carry their unique developmental and usage challenges. Pakistan's goal is to increase its nuclear power capacity to 8800 MW by 2030. Despite the presence of Uranium reserves in different parts of Pakistan, they are of a low grade, with each ton containing only a few kilograms of Uranium. Consequently, apart from the Karachi Nuclear Power Plant, all other nuclear plants in the country depend on imported nuclear fuel. Regrettably, issues



such as border conflicts with neighbouring countries, a high terrorist presence, sectarian violence, political instability, and technical difficulties like unstable grid conditions, pose safety risks for large-scale nuclear program development. Coal usage, while cheaper than fuel oils, entails concerns related to mining, efficiency, and environmental impact. Pakistan's hydropower potential of 60,000 MW is spread throughout the country.

Numerous locations, mainly in the mountains and glaciers of northern Pakistan, are suitable for varying sizes of hydropower projects. Southern Pakistan hosts smaller to medium units primarily at canal falls and barrage falls. Pakistan primarily sources its electricity from large hydropower plants but hasn't fully utilized its hydropower potential, especially in the installation of Small Hydropower (SHP) plants. The country's six regions - Khyber Pakhtunkhwa (KPK), Gilgit-Baltistan (GB), Punjab, Azad Jammu Kashmir (AJ&K), Sindh, and Balochistan, have significant hydropower resources, mainly concentrated in KPK, GB, Punjab, and AJ&K region. Research in the early 1990s pinpointed numerous potential sites for hydropower generation on the catchment areas of the Indus River, the Kabul River, and the Jhelum River.

Hydropower technology is tried and tested in Pakistan, with its history of power generation dating back to 1925. The technology for wind, solar, and biomass power generation is relatively new in the country, leading to a lack of necessary technology and high-quality materials. Finally, unlike thermal and nuclear power plants, hydropower facilities do not need fuel transportation, thereby eliminating the need for associated infrastructure such as ports, railways, and roads.

## 3. Wind Energy

Pakistan is in a strategic position to tap into wind energy as a viable Renewable Energy Source (RES). Given it's over a thousand-kilometre coastline and geographical position, it's suitably placed for offshore wind projects. However, fully unlocking Pakistan's offshore wind potential will demand a considerable investment of time and resources. Offshore wind farms are typically established in shallow waters, making the construction process more manageable. Currently, Pakistan's offshore exclusive economic zone (EEZ) covers an area of 290,000 km<sup>2</sup>.

Wind energy in Pakistan, especially in the northern and southern provinces such as Khyber Pakhtunkhwa, Balochistan, and Sindh, holds a potential capacity of around 350 GW. However, due to challenges like wind turbulence and land-related issues, only about 120 GW seems feasible for exploitation. Sindh and Balochistan are noted as the provinces with the highest wind potential.

In the coastal regions of Sindh and Balochistan, wind speeds typically register at 7 to 8 m/s, aligning with the International Electrotechnical Commission (IEC) 2 and 3 wind classes. A study assessing the feasibility of wind speeds for running wind turbines along the Arabian Sea coast in these provinces has been carried out. Lasbella district in Balochistan, with its relatively stable wind speeds, is identified as an ideal location for wind turbine installation. Several potential locations have been identified for the 88.4 GW of wind energy in Sindh, including Hyderabad, Kotri, Jerruck, Gharo, Jhimpir, Lakha, Khuttikun, and Bhambore. Balochistan, on the other hand, has an estimated wind energy potential of 146,145 MW.



Additionally, Pakistan's coastal belt alone offers over 50 GW of potential capacity that could be utilized with appropriate wind turbines. Despite the massive potential, however, much of this wind energy remains untapped.

There are also proposals for harnessing wind energy in the desert regions of Punjab and Sindh, owing to the expansive spaces available. But due to potential issues like dust accumulation damaging wind energy equipment, as seen in the abandoned Rajanpur project in Punjab, the feasibility of these projects is questionable. Wind energy potential in Khyber Pakhtunkhwa province is theoretically substantial with an estimated capacity of around 500 MW. Still, the wind's turbulent nature in this province makes it more suitable for Vertical Axis Wind Turbines (VAWT) than commercial Horizontal Axis Wind Turbines (HAWT).

#### 4. Biogas

Predominantly dependent on oil and gas, Pakistan imported about 85% of its oil necessities in 2021-22, leading to a cost of nearly USD 17.03 billion. With the objective of transitioning to sustainable energy, the nation has set an ambitious goal to elevate the proportion of renewable energy to 30% by 2030, and biogas is expected to contribute significantly to this target.

Pakistan ranks as the world's fourth-highest milk producer and hosts about 196 million livestock that generates roughly 417.3 million tons of manure annually. This manure could be optimally used for biogas production, which could result in around 26,871.35 million m<sup>3</sup> per year, presenting a substantial source of thermal energy and power. Besides, the country's organic municipal solid waste (MSW) also holds significant potential for biogas production and could contribute to

generating substantial electricity. Major urban areas produce an organic MSW of about 5,631 tons daily that could be directed towards biogas production.

Moreover, Pakistan's rural regions are filled with a diverse range of biogas resources. They hold the potential to produce about 12 million m<sup>3</sup> of biogas every day, which would be sufficient to cater to the energy needs of 28 million rural residents. Conditions in Pakistan are generally suitable for biogas production, with abundant livestock, accessible construction materials for biogas digesters, and sufficient land for plant installation. An estimated 10 million households participate in livestock farming, primarily in the Punjab, Sindh, and KP regions.

At present, Pakistan operates approximately 5,357 biogas units with production capacities between 3–15 m<sup>3</sup> per day. However, the aspiration is to reach a biogas potential of 12–16 million m<sup>3</sup> daily. The country initiated the installation of biogas plants in 1974, and since then, various projects, including the Pakistan Domestic Biogas Programme (PDBP), have been launched to stimulate biogas production, which targeted the construction of 300,000 small-scale biogas plants nationwide.

Initiatives have also been implemented to use biogas for power generation, with 92 operational biogas plants currently generating approximately 790 kW of electricity. Despite these strides, the exploitation of biogas for electricity production in Pakistan remains comparatively low, indicating a vast untapped potential in this sector.



#### Case Examples

Despite the challenges, there are some successful case examples of renewable energy projects in Pakistan. These projects demonstrate the potential for renewable energy in Pakistan and provide a pathway for the country's transition to sustainable energy sources. Some of the successful case examples include:

- The Quaid-e-Azam Solar Power Park, nestled in the Cholistan desert, Pakistan, is a significant renewable energy project covering a vast expanse of 5,000 acres. Developed jointly by the Government of Punjab and the China Three Gorges Corporation, this park has an installed capacity of 1,000 Megawatts (MW), with an expectation to generate 1.6 billion kilowatt-hours (kWh) annually. It's projected to reduce Pakistan's carbon emissions by approximately 1.2 million tons per year. In addition to its environmental benefits, the solar park has also been a catalyst for job creation and economic growth in the region, providing employment opportunities for around 5,000 individuals during its construction and operational phases.
- The Tarbela Dam, the world's largest earth-filled dam, is a monumental infrastructure project located on the Indus River, approximately 130 kilometers northwest of Islamabad, Pakistan. Stretching 80.5 kilometers long and rising to a height of 143 meters, the dam's reservoir holds an impressive 11.62 million acre-feet (14.3 billion cubic meters) and houses the Tarbela Dam Hydel Power Plant, with an installed capacity of 4,888 megawatts. Contributing about 15% of Pakistan's total electricity, the plant plays a significant role in the country's power sector. In addition to electricity generation, the dam serves as a major source of irrigation water, supporting the agricultural sector and aiding in groundwater recharge in surrounding areas.

- The Jhimpir Wind Power Project, located in the Jhimpir Creek area about 120 kilometers north-east of Karachi, Pakistan, is an emblem of wind energy potential in the country. With an installed capacity of 52.8 megawatts (MW) across 33 wind turbines, each generating 1.6 MW, this project was developed by Zorlu Energy Pakistan, a subsidiary of Turkey's Zorlu Enerji. Initial funding came from the International Finance Corporation (IFC), the Asian Development Bank (ADB), and the Turkish Development Bank (TEB), cumulating in a total investment of approximately \$136 million. The wind farm is expected to generate around 133 gigawatt-hours (GWh) of electricity annually and reduce Pakistan's carbon emissions by an estimated 85,000 tons per year. For more information :

[https://www.ifc.org/wps/wcm/connect/news\\_ext\\_content/ifc\\_external\\_corporate\\_site/news+and+events/news/cm-stories/wind-energy-pakistan](https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/cm-stories/wind-energy-pakistan)

- Nestlé's Biogas Plant, located in Kabirwala district of Punjab, Pakistan, exemplifies corporate sector's shift towards sustainable practices. The plant, designed to handle 1,200 cubic meters of effluent per day, generates approximately 7,800 cubic meters of biogas daily. This biogas then fuels a Combined Heat and Power (CHP) plant, yielding up to 1 MW of electricity and 3.5 tons of steam per hour. Consequently, this initiative has led to substantial economic savings for Nestlé by minimizing reliance on the national power grid and fossil fuels. In terms of environmental impact, the plant's efficient waste management and biogas production significantly reduce greenhouse gas emissions, effectively curbing methane emissions compared to traditional waste disposal methods.



## 3.3 Market Trends, Major Players, and Government Initiatives

### 1. Analysis of Demand and Supply

Pakistan's demand for energy, primarily driven by non-renewable resources like oil and gas, is increasing swiftly. The Pakistan Institute of Development Economics (PIDE) anticipates an annual growth rate of 5.5%, potentially reaching 49,000 MW by 2025. Although these non-renewable resources contribute 96% to the energy mix, the renewable energy share stands at a paltry 4%—despite the country's abundant potential in solar, wind, and hydropower.

### 2. Market Size, Growth Trends, and Key International Players

While the sustainable energy sector in Pakistan is still emerging, it has showcased remarkable growth potential. With installed renewable energy capacity of 9,118 MW (about 40% of total capacity), the sector is set to grow exponentially. Government policies and incentives such as tax exemptions and investment benefits have piqued the interest of both local and international investors. The country is home to major international contributors such as China Three Gorges Corporation, General Electric, and Siemens, who are playing a significant role in various hydroelectric, wind, and gas power projects.

### 3. Market Competition, Future Potential, and Foreign Investment

Despite low competition due to the sector's nascent stage, increasing demand for sustainable energy and attractive government incentives suggest a competitive future market. An uptick in solar technology adoption by Pakistani consumers, fueled by concerns about traditional electricity supply's reliability and cost, signals a market ready to embrace competitive production of solar PV

and associated equipment. However, tariff discrepancies may inhibit substantial import substitution and hinder the ability to exploit export opportunities with neighbouring GCC countries. Greater demand for solar PV assembly plants could boost solar cell manufacturing, a process requiring a minimum 2GW demand from local assemblers. Typically, a 100MW production line employs 100 to 150 individuals, both skilled and unskilled. With immense untapped potential in solar and wind energy, Pakistan is a lucrative investment destination. Support from international entities like the International Finance Corporation (IFC) and the Asian Development Bank (ADB) further affirms the sector's promising future.

### 4. Government Policies, Regulations, and Sustainable Energy Initiatives

Pakistan's government aims to raise the renewable energy share in the country's energy mix to 30% by 2030. Incentives in the 2019 Renewable Energy Policy, such as tax exemptions and reduced tariffs on imported equipment, encourage investments in renewable energy projects. The country's substantial solar energy potential is demonstrated by initiatives like the Quaid-e-Azam Solar Park in Punjab, boasting a capacity of 1,000 MW. Furthermore, significant wind energy projects and large-scale hydropower projects, such as the Jhimpir Wind Power Plant in Sindh and the Dasu Hydropower Project, substantially contribute to Pakistan's energy portfolio.

### 5. Foreign Investment in Sustainable Energy Projects

Foreign investors and governments play a vital role in overcoming challenges in investing in Pakistan's renewable energy sector. They can provide financial assistance, technical expertise, and the capital needed to support the development of renewable energy projects. A prime example is China's investment in the China-Pakistan Economic Corridor (CPEC), a \$62 billion initiative aimed at developing infrastructure and creating economic opportunities in Pakistan, which includes several renewable energy projects. In conclusion, Pakistan holds enormous potential for investment in the renewable energy sector, which can cater to the country's energy needs while also promoting sustainable development. The government's favourable policies, coupled with Pakistan's vast resources, render it an attractive destination for investors in the renewable energy sector.





## 3.4 Transitioning to Sustainable Energy Sources: Challenges and Potential Solutions

### 3.4.1 Lack of Investment in the Renewable Energy Sector

One of the significant challenges that Pakistan faces in transitioning to sustainable energy sources is the lack of investment in the renewable energy sector. According to the International Energy Agency (IEA), Pakistan's renewable energy sector needs an investment of around \$30 billion by 2030 to meet its renewable energy targets (IEA, 2020). However, the current investment in the renewable energy sector is not sufficient to meet this target. The government needs to provide more incentives and policies that encourage investment in the renewable energy sector.

The government needs to take necessary steps to attract investment in the renewable energy sector, such as providing tax incentives, subsidies, and other financial incentives. It should also ensure the implementation of transparent and effective policies that provide a supportive environment for the private sector to invest in renewable energy projects. The government should also provide financial assistance to small- and medium-sized enterprises (SMEs) to encourage them to invest in renewable energy projects.

### 3.4.2 Lack of Infrastructure and Transmission Lines

Another significant challenge in the adoption of renewable energy sources is the lack of infrastructure and transmission lines. According to the Alternative Energy Development Board (AEDB), there is a need for around \$10 billion investment in the transmission and

distribution infrastructure to accommodate renewable energy sources in the national grid (AEDB, 2021). The absence of infrastructure and transmission lines is a significant challenge in the adoption of renewable energy sources.

Pakistan has a vast potential for renewable energy, but the lack of infrastructure and transmission lines is hindering its progress towards achieving renewable energy targets. The government needs to invest in the development of infrastructure and transmission lines to accommodate renewable energy sources in the national grid. The government should also encourage private sector participation in the development of infrastructure and transmission lines.

### 3.4.3 Lack of Technological Expertise

The lack of technical expertise is another significant challenge in Pakistan's transition to sustainable energy sources. According to the Pakistan Council of Renewable Energy Technologies (PCRET), there is a need to establish research and development centres to promote technological development in the renewable energy sector (PCRET, 2021). The absence of technological expertise is a significant challenge in the adoption of renewable energy sources.

The government should encourage the

establishment of research and development centres and provide financial assistance to promote technological development in the renewable energy sector. It should also provide training programs to professionals to enhance their skills and knowledge in the renewable energy sector. The government should also encourage collaboration between academia and industry to promote technological development in the renewable energy sector.







## 3.5 Conclusion – Concrete Opportunities

Pakistan is a country with a growing demand for energy. The country is also committed to transitioning to a more sustainable energy future. This creates a number of opportunities for Finnish businesses in the energy sector.

Here are some of the specific opportunities that Finnish businesses can explore in Pakistan:

- **Renewable energy:** Finland has a strong reputation for providing advanced solutions in renewable energy technologies. Given Pakistan's renewed focus on wind and solar power, Finnish companies could explore opportunities in these areas. They could provide technology for solar panels, wind turbines, and related infrastructures. In addition, there might be opportunities for providing consultancy services for renewable energy projects.
- **Hydropower:** Given the vast potential of untapped hydropower resources in Pakistan, Finnish businesses that specialize in hydropower technology could provide their expertise and services. Finland has a history of utilizing its hydro resources effectively, and the technical and strategic expertise of Finnish companies could be invaluable to Pakistan's hydropower development.
- **Energy efficiency solutions:** Finnish companies are known for their innovative solutions in enhancing energy efficiency, such as smart grids and energy management systems. Given Pakistan's need to reduce transmission and distribution losses and improve the efficiency of its energy sector, there could be opportunities for Finnish businesses to

provide these solutions.

Investments in coal exploration and infrastructure: Considering the large coal reserves in Pakistan, particularly in the Thar region, Finnish businesses with expertise in coal exploration and mining could consider investing in this sector. In addition, there may be opportunities to provide technology and infrastructure solutions to help Pakistan exploit its domestic coal resources more efficiently.

Nuclear energy expertise: Given the growth of Pakistan's nuclear energy profile, Finnish companies with expertise in nuclear energy could explore opportunities in this area, such as in the areas of nuclear safety, waste management, and plant design and construction.

Consultancy and training: Finnish businesses with strong backgrounds in energy consultancy could assist Pakistan in reforming its energy sector. This could include advice on effective subsidy strategies, improving infrastructure, reducing circular debt, and promoting energy conservation among citizens. In addition, there could be opportunities to provide training to the local workforce in the energy sector.

### Key Opportunities in Specific Energy Sectors

#### Opportunities in Solar:

**1.Solar Power Generation:** Finnish companies can invest in solar power generation projects, particularly in regions with high solar radiation intensity



like southern Punjab, Sindh, and Balochistan. They can take part in the design, construction, operation, and maintenance of these solar power plants.

**2.Solar Equipment Manufacturing:** As Pakistan's solar energy sector continues to grow, there's increasing demand for solar equipment like photovoltaic (PV) cells, inverters, and mounting systems. Finnish companies with expertise in solar equipment manufacturing can set up production facilities in Pakistan to cater to this demand.

**3.Solar Technology Research & Development:** Finnish businesses with expertise in solar technology R&D can collaborate with local universities or research institutes in Pakistan. They can work on developing more efficient solar cells, energy storage solutions, or new solar energy applications.

**4.Distributed Solar Solutions:** With the residential solar market in Pakistan getting a boost due to high grid tariffs, Finnish companies can offer distributed solar solutions to households and businesses. These could include solar rooftop systems, solar street lights, or solar water heaters.

**5.Solar Power for Transportation:** In line with Pakistan Railways' plan to transition railway stations to solar power, Finnish companies can offer solar power solutions for transportation infrastructure. These could include solar-powered charging stations for electric vehicles.

**6.Project Financing and Investment:** Finnish investment firms or banks could consider financing solar power projects in Pakistan,

given the supportive government policies and the projected growth in the sector.

**7.Training and Capacity Building:** Finnish businesses could provide training and capacity building services to develop the required skills in the local workforce for the solar energy sector. This could include training in the installation, operation, and maintenance of solar power systems.

**8.Solar Energy Consultancy Services:** Finnish businesses could offer consultancy services to Pakistani businesses, government agencies, or investors looking to invest in the solar energy sector. They could provide guidance on project planning, feasibility studies, technology selection, and regulatory compliance.

**9.Collaboration with Existing Solar Projects:** Finnish companies can explore opportunities to collaborate with existing solar projects under the China-Pakistan Economic Corridor (CPEC) or other programs. This could involve providing technical expertise, supplying equipment, or investing in these projects.

#### Opportunities in Hydro:

**1.Hydropower Generation Projects:** Finnish companies could invest in the development of hydropower projects, either independently or in collaboration with local partners. This could involve the design, construction, operation, and maintenance of hydropower plants. Finnish businesses could also participate



in upcoming hydropower projects initiated by the Pakistani government.

### **2. Supply of Hydropower Equipment:**

Finnish companies with expertise in manufacturing hydropower equipment could explore opportunities to supply this equipment to projects in Pakistan. This could include turbines, generators, control systems, transformers, and other necessary equipment.

**3. Research and Development:** Finnish firms engaged in R&D related to hydropower technology could collaborate with Pakistani universities or research institutions. This collaboration could focus on improving the efficiency of hydropower generation, exploring new applications of hydropower, or studying the environmental impacts of hydropower projects.

### **4. Consulting and Engineering Services:**

Finnish businesses offering consulting and engineering services in the hydropower sector could provide these services to Pakistani businesses, government agencies, or investors. This could involve feasibility studies, project planning, design and engineering services, environmental impact assessments, and advice on regulatory compliance.

**5. Small Hydropower Plants:** Given the significant untapped potential for small hydropower plants in Pakistan, Finnish companies could consider investing in these projects. This could involve setting up small hydropower plants at suitable locations, especially in the mountains and glaciers of northern Pakistan and at canal falls and barrage falls in southern Pakistan.

### **6. Training and Capacity Building:**

Finnish companies could provide training and capacity building to develop the required skills in the local workforce for the hydropower sector. This could involve training in the installation, operation, and maintenance of hydropower plants.

**7. Financing and Investment:** Finnish investment firms or banks could consider financing hydropower projects in Pakistan. Given the significant potential of the sector and the government's support, this could be a profitable investment.

**8. Infrastructure Development:** Finnish companies involved in the construction and infrastructure sector could provide their expertise in developing the necessary infrastructure for hydropower projects. This could include roads, bridges, and other supporting infrastructure.

### **Opportunities in Wind:**

**1. Wind Farm Development:** Finnish firms could invest in the establishment and operation of wind farms in regions with high wind potential such as Sindh and Balochistan. These could be onshore or offshore projects, depending on the feasibility and the available infrastructure.

**2. Supply of Wind Turbines and Components:** Finnish companies specializing in the manufacture of wind turbines, especially those suited for the specific wind conditions in Pakistan, could find a growing market for their products. This could also include components like rotor blades, gearboxes, generators, and control systems.



**3. Engineering, Procurement and Construction (EPC) Services:** Finnish companies could offer EPC services for wind farm projects, including design, procurement of equipment, construction of wind farms, and setup of power transmission infrastructure.

### **4. Maintenance and Operations Services:**

Given the issues with wind turbulence and dust accumulation, there could be opportunities for Finnish firms to provide specialized maintenance and operation services for wind farms.

**5. Research and Development:** Collaborations with local institutions and companies for R&D could be fruitful, specifically focusing on overcoming the unique challenges posed by the wind and environmental conditions in Pakistan. Research into more effective designs, such as Vertical Axis Wind Turbines, could be beneficial.

### **6. Consulting and Project Management:**

Finnish companies could offer consulting services in project feasibility studies, planning, and project management. Given the complex land-related issues and other hurdles, experienced guidance could be in high demand.

**7. Training and Capacity Building:** There is a potential need for training and skill development in the sector. Finnish companies could provide education and training services to develop a skilled local workforce in the wind energy sector.

**8. Investment in Local Wind Energy Companies:** Finnish investment firms or funds could consider investing in promising local wind energy companies or startups.

### **Opportunities in Biogas:**

**1. Biogas Plant Construction and Operation:** Finnish companies with expertise in building and operating biogas plants could find a large, untapped market in Pakistan. This could involve partnerships with local farms or municipalities to utilize the manure or municipal solid waste (MSW) for biogas production.

**2. Supply of Biogas Technology and Equipment:** Companies that manufacture biogas equipment, such as digesters and biogas generators, could find a growing market in Pakistan. This also includes technologies for the efficient capture and storage of biogas.

**3. Engineering, Procurement and Construction (EPC) Services:** Finnish companies could offer EPC services for biogas projects, including the design, procurement of equipment, and construction of biogas plants.

**4. Maintenance and Operational Services:** Finnish companies could provide specialized maintenance and operational services for biogas plants to ensure efficient and optimal functioning.

**5. Consulting and Project Management:** With the relatively nascent stage of the biogas industry in Pakistan, Finnish consulting services could be in high demand, offering expertise in project feasibility, planning, and project management.



**6.Training and Skill Development:** Finnish companies could help develop local capacity in biogas production through training and skill development programs. This could include technical training on operating biogas plants as well as safety training.

**7.Waste Management Solutions:** As biogas production largely depends on waste, Finnish businesses specializing in waste management could offer solutions to efficiently collect and process organic waste from urban and rural areas for biogas production.

**8.Research and Development:** Collaborations with local institutions or companies for R&D could be beneficial to develop solutions tailored to the specific needs and conditions in Pakistan, such as efficient small-scale biogas plants for rural areas.

**9.Investment and Partnership Opportunities:** Finnish investors could look into investing in local biogas projects or forming partnerships with local businesses to co-develop biogas projects.

### 3.6 Primary Research Industry Experts Interviews and Insights - Sustainable Energy

#### Interview Summary: Mr Danish Iqbal, Chairman, Metro Power Group and Gul Ahmed Energy Group

In this interview, Danish Iqbal, a businessman from Metro Energy, delves into the potential for sustainable energy projects and investment prospects in Pakistan. He further

discusses the effect of governmental policies and regulations on the sector, the necessity for training and development in the IT industry, and the potential for collaboration between Pakistan and Finland.

#### Tax Structure and Legal Incentives

Iqbal points out that there are multiple incentives for sustainable energy projects in Pakistan, including rights for repatriation and special economic zones which provide income tax exemptions for a decade. He stresses that the ease of conducting business is a crucial factor when selecting a location, rather than favoring any specific region.

#### Competitors in the Sector

Iqbal identifies several enterprises already active in the sustainable energy sector in Pakistan, such as Sapphire Group, 24G Foundation, China Three Gorges, and Lucky. He notes these companies aren't competitors per se, as they all sell electricity to the same purchaser.

#### Influence of the Housing Market

According to Iqbal, the housing market significantly propels the demand for sustainable energy projects in Pakistan. He indicates that numerous housing developments are underway in Punjab, where the industrial and housing markets are seeing substantial growth.



#### Training and Development in the IT Industry

Iqbal underscores the importance of training and development in the IT industry, particularly for women. He suggests vocational trainings and courses can be conducted through IT, stressing that education is currently an essential need. He also acknowledges that stringent regulations surrounding IT education are necessary to ensure graduates possess the requisite skills.

#### Collaboration with Finland

Iqbal perceives potential for collaboration between Pakistan and Finland in the IT industry, particularly regarding training and development. He notes that Pakistan boasts a large youth population, who could be trained for employment in the IT sector. He also proposes that Finland could outsource game development to Pakistan, where developers could be trained to work remotely.

#### Conclusion

Iqbal concludes by emphasizing the potential for sustainable energy projects and investment opportunities in Pakistan, particularly within the housing market. He accentuates the importance of training and development within the IT industry and sees promise for collaboration between Pakistan and Finland in this sector.

#### Interview Summary: Sadia Dada, Chief Marketing, Communications Officer - Enhancing Customer Experience for KE's Customers and Stakeholders

This interview offers an in-depth understanding of the sustainable energy sector in

Pakistan, discussing the current state, key sustainable energy sources, future demand and supply predictions, crucial trends, political risks, market entry strategies, tax structure and legal incentives, primary players and competitors, government policies, regulations, investment opportunities, and the scope for women's employment in the sector.

#### Current State of the Sustainable Energy Sector in Pakistan

The Indicative Generation Capacity Expansion Plan (IGCEP-2022) recommends a gradual shift from an energy mix largely reliant on imported fossils to one that leverages indigenous sources such as hydel, Thar coal, wind, and solar. Furnace oil is projected to be phased out by 2031, and electricity generation from RLNG and imported coal will decrease to 2% and 8%, respectively, by 2031. In contrast, there will be a significant increase in electricity generated by hydel, wind, and solar PV. These green sources' contribution will rise from 28%, 4%, and 1% respectively, to 39%, 10%, and 10%, thereby increasing the total share of green electricity to around 59%.

#### Main Sources of Sustainable Energy in Pakistan

The top three primary sources of sustainable energy in Pakistan are hydro, solar and wind, and indigenous coal. While hydro, solar, and wind are affordable and sustainable, they are intermittent. On the other hand, indigenous coal is a reliable baseload source, affordable, ensures energy security, but is not considered green.



### **Future Demand and Supply Analysis of Sustainable Energy in Pakistan**

The generation capacity expansion planning study presents three scenarios for long-term forecast, in accordance with the prevailing Grid Code. These are designed for Low, Normal, and High GDP growth rates of 3.40%, 4.30%, and 5.42% respectively.

### **Key Trends, Growth Prospects, and Political Risks Impacting the Sustainable Energy Sector in Pakistan**

Growth prospects in the sector include the issuance of IGCEP for integrated generation planning, the initiation of national electricity, EV, and energy conservation policies, and encouraging FDI. The regulatory framework must be adapted to the country's realities and challenges, addressing issues like stranded costs, wheeling tariffs, and publicly owned DISCOs' inefficiencies. Risks involve delays in land allocation, lack of consensus in national power planning, restrictive tariff determination processes, inconsistent government policies, regulations in the energy sector, and a scarcity of intellectual and institutional capacities to work on novel technologies.

### **Market Entry Guidelines and Options for Businesses Interested in the Sustainable Energy Sector in Pakistan**

In general, sustainable energy projects, especially solar, are strongly encouraged. NEPRA delineates all regulations for power sector entrants. Pakistan has a dedicated Alternate Energy Development Board overseeing renewables, and separate guidelines

for business setup by SECP. Setting up a business in Pakistan is not exactly straightforward, and foreign entrants should consider engaging the Overseas Investors Chamber of Commerce and Industry (OICCI) active in the country, or the trade office of their country's diplomatic mission for better facilitation. Having a local partner on the ground is also extremely beneficial.

### **Tax Structure and Legal Incentives Available for Sustainable Energy Projects in Pakistan**

Power generation companies are permitted to import plants and equipment at a 5% duty (0% for renewable energy) with a sales tax exemption.

### **Main Players and Competitors in the Sustainable Energy Sector in Pakistan**

The primary players and competitors in the sustainable energy sector in Pakistan include State Owned Hydel Projects, Gul Ahmed Energy Limited, Artistic Energy, Three Gorges Limited, Fauji Foundation, ACT Power Limited, and Liberty Mills Limited.

### **Impact of Government Policies and Regulations on the Sustainable Energy Sector in Pakistan**

Duties/taxes imposition reduces RE product off-take, and incentivization increases widespread deployment.

### **Investment Opportunities and Potential for Foreign Businesses in Pakistan's Sustainable Energy Sector**



Foreign businesses can participate in competitive bidding for large-scale RE-based power generation projects, invest in the upgrade of transmission & distribution infrastructure, invest in digitization/installation of supervisory controls to integrate RE projects, develop research and development wings, invest through technology transfer, invest in manufacturing and production of RE equipment at cost in Pakistan, and participate in off-grid and distributed generation projects.

### **Potential for Employing Women in the Sustainable Energy Sector in Pakistan**

Women can be engaged in R&D, design & engineering, energy storage, testing and certifications, project consultancies, procurement/equipment sourcing, O&M/asset management, and manufacturing. With most solar and wind projects being implemented in rural areas, a stipulation to employ at least 30% local women, especially for cleaning and maintenance of these projects, can drastically improve the economic status of the entire area.

### **Recommendations for Businesses Interested in Collaborating with or Investing in Pakistan's Sustainable Energy Sector**

Foreign entrants should contact the Overseas Investors Chamber of Commerce and Industry (OICCI) active in the country or approach the trade office of their country's diplomatic mission for better facilitation when setting up a business. Having a local partner, consultant, liaison, or employee on the ground will be extremely beneficial. Several competent sustainable energy consultants in Pakistan may be able to facilitate the process.

### **Conclusion**

In conclusion, Pakistan's power sector is on the brink of a transformative energy revolution. The momentum is continuously building, and the progress made in the current year is a harbinger of a future that is both exciting and promising.



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## 4.1 Overview of the Circular Economy Sector in Pakistan

Pakistan, endowed with a wealth of natural resources and a youthful, burgeoning middle class, is poised to capitalize on several opportunities to transition to a circular economy (CE). The circular economy, an antidote to the conventional take-make-waste linear economy model, seeks to optimize resource usage while minimizing waste and pollution. It represents a more sustainable economic paradigm, one that holds great promise for countries like Pakistan. Demographic trends, such as a youthful populace and a growing middle class, are fueling the demand for sustainable goods and services. These conditions can serve as a catalyst for the development of businesses operating within the circular economy, leveraging Pakistan's rich endowment of water, land, and minerals.

The majority of Pakistan's greenhouse gas (GHG) emissions stem from the energy and agriculture sectors, together accounting for 87% of the nation's total GHG emissions. Data from the World Resources Institute's Climate Analysis Indicator Tool reveals that 46% of the country's annual GHG emissions are produced by the energy sector. The breakdown within this sector shows 26% from electricity consumption, 25% from manufacturing, 23% from transportation, and the remaining 25% from various other energy-related subsectors. The agriculture sector is responsible for 41% of total GHG emissions, with enteric fermentation being the most significant source at 46%.

Land use change and forestry, mainly due to alterations in forest land, contribute to 6% of the emissions. Industrial processes and waste add 5% and 2% to the GHG emissions, respectively.

In Pakistan, a rising demand for sustainable products and services driven by the growing middle class and a youthful demographic can spur the development of businesses within the circular economy framework. These businesses can utilize the country's abundant water, land, and mineral resources. With an estimated 25 million tonnes of municipal solid waste (MSW) generated per year, of which only about 10% is recycled, Pakistan faces a significant challenge, with a large number of resources being wasted and pollution generated.

Research like Sharafuddin Ahmed Khan's "Drivers and Barriers to Circular Economy Implementation: A Study of the UK and Pakistan" explores the potential of the circular economy in Pakistan, specifically within the automobile industry. It underscores how, through the refurbishment and consumption of end-of-life products like electronics and clothes imported from developed nations, Pakistan has the potential to curb import costs, mitigate pollution, and provide low-cost recycled products to its population.

However, several challenges, including lack of awareness about the circular economy, financial constraints, and lack of expertise, impede the successful implementation of the circular economy in the country. Furthermore, the transition, particularly in the solid waste management sector, requires the formulation of suitable legislation and economic tools, the establishment of necessary infrastructure, and considerable investment.



The "Solid Waste Management Sector in Pakistan: A Reform Road Map for Policy Makers" document by the Asian Development Bank highlights that Pakistan generates significant waste from various sources, the majority of which is kitchen green waste. A transition to a circular economy necessitates the development of appropriate legislation and economic instruments, the establishment of the requisite infrastructure, and substantial investment. These could be addressed with a phased approach to implementing a sustainable waste and resource management system at the national level.

Despite these challenges, several organizations and initiatives are striving to advance the circular economy in Pakistan. Success stories, like the circular economy strategy implemented by the European Union, are inspiring. According to the Ellen MacArthur Foundation, the circular economy could potentially contribute \$1 trillion to the global economy and create up to 6 million new jobs by 2030.

Given its abundant natural resources, Pakistan stands to gain significantly from a transition to a circular economy. Such a shift can conserve resources, mitigate waste and pollution, and open up novel economic avenues, especially in industries such as recycling and resource recovery. All stakeholders, including the government, private sector, and individual consumers, need to join forces to overcome barriers and successfully implement a circular economy in Pakistan, thereby paving the way for a more sustainable future.

## 4.2 Market Size

The circular economy sector in Pakistan is still in the early stages of development, with limited data available on its market size. However, according to the Pakistan Economic Survey 2020-21, Pakistan generates around 48.5 million tons of solid waste annually, and only 20% of that waste is collected and disposed of in a sustainable manner. There is significant potential for circular economic development in Pakistan's waste management and recycling sectors.

As a developing nation with a rapidly growing population, Pakistan faces resource scarcity, environmental degradation, and climate change impacts. The current linear economic model, involving taking, making, and disposing, is deemed unsustainable.

A circular economy policy would minimize waste, optimize resource use, and promote environmental conservation. The circular economy is an economic development approach focused on eliminating waste, maintaining product usage, and regenerating natural systems. Its goals include sustainable growth and minimal environmental damage. Pakistan's need for a circular economy policy arises from several factors:

**1.Resource Scarcity and Population Growth:** With a population over 220 million, the demand for resources is increasing. A circular economy can



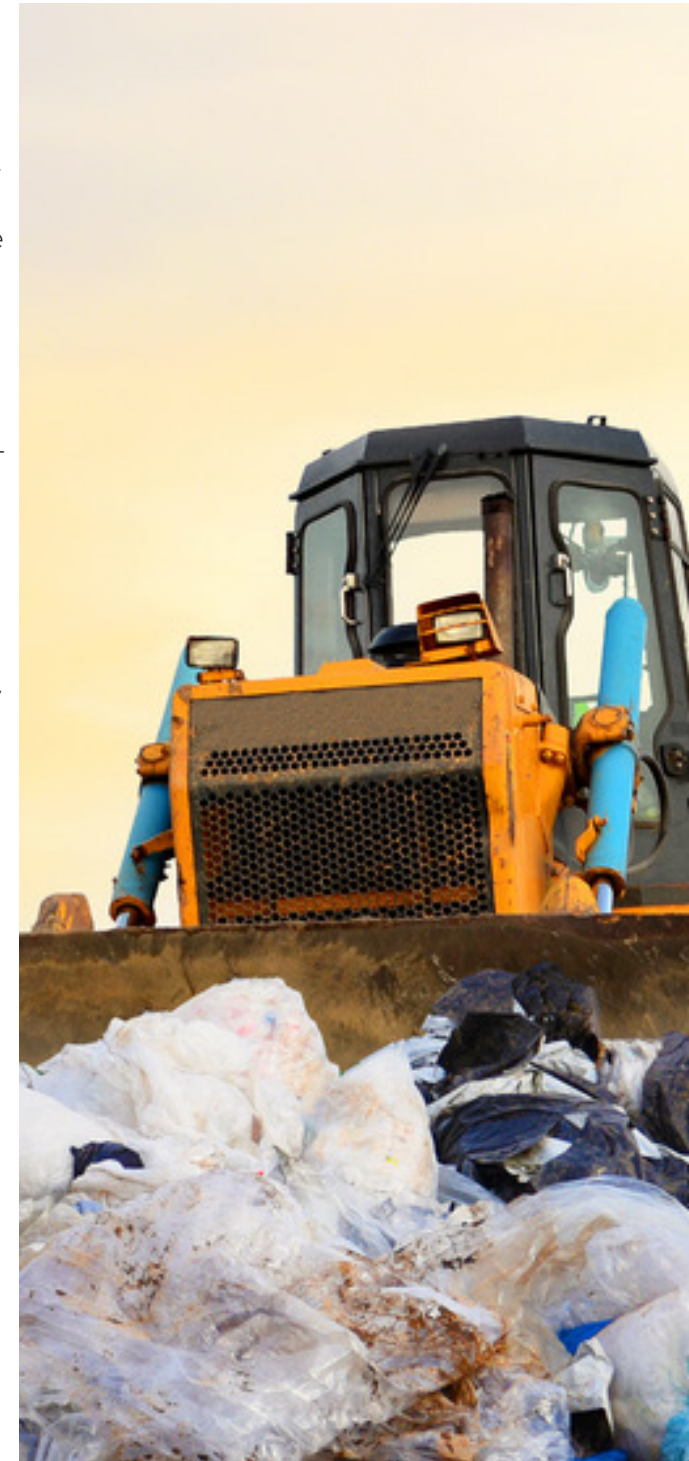
enhance resource efficiency and reduce waste.

**2.Climate Change and Environmental Degradation:** Pakistan is one of the top countries affected by climate change. A circular economy can minimize carbon emissions through improved waste management and renewable energy promotion.

**3.Economic Growth and Job Creation:** A circular economy can boost growth and jobs by stimulating innovation, investment in resource-efficient technologies, and sustainable practices. It also opens opportunities in waste management, recycling, and refurbishment sectors.

**4.International Commitments:** Pakistan has committed to global initiatives like the SDGs and the Paris Agreement. A circular economy aligns with these commitments, promoting sustainable development.

The challenges in implementing a circular economy in Pakistan include limited awareness among stakeholders, inadequate infrastructure and technology, financial constraints, and the absence of a comprehensive policy and regulatory framework promoting a circular economy. To address these, Pakistan needs to develop a national circular economy strategy, invest in sustainable infrastructure, create educational initiatives, and establish policies that incentivize sustainable practices.





### 4.2.1 Key Trends

Facing severe power outages, diminishing water reserves, natural gas shortfalls, growing demand for goods, and a declining natural environment, parts of our nation are under tremendous strain. Our population, currently standing at around 210 million, is projected to surge past 350 million by 2050 if current growth rates persist. The prospect of resources rapidly running out is becoming more real by the day, with no substantial efforts in place to curb this impending crisis.

By 2040, Pakistan could be staring at an acute resource scarcity, an alarming prospect that is already manifesting itself for a majority of the population. Is there a solution in sight? The answer may lie in the systematic transition towards a circular economy.

Over the last twenty years, Pakistan's garment industry has seen production numbers double. Yearly garment purchases have seen a 60% rise during this period, yet the lifespan of each garment before disposal has decreased by almost 40%. This underutilisation and lack of recycling lead to the loss of millions of dollars worth of natural resources every year. A warning from environmental advocates, the World-Wide Fund for Nature, suggests that by 2050, we would need the resources of three Earths to manage the colossal waste generated by humanity.

This issue extends beyond just the textile industry in Pakistan; all industrial sectors are confronted with the same dilemma. While the nation's resources are being rapidly depleted, we are also responsible for producing thousands of tonnes of waste annually. The escalating population exerts considerable

pressure on available resources, with demand for food, industrial raw materials, fossil fuels, minerals, biomass and more, increasing every year.

This leads to escalating environmental stress, resulting in harm to forests, lakes, and soil, not to mention damage to the country's biodiversity. Moreover, CO<sub>2</sub> emissions continue to rise in the present circumstances. As one of the countries most susceptible to climate change, Pakistan must take a proactive stance to stem environmental decline. Shifting towards a circular economy not only addresses the issue of resource depletion but also opens up economic prospects for businesses and the nation as a whole.

A circular economy is an approach that detaches economic growth and prosperity from natural resource consumption and environmental degradation. Instead of discarding used items and materials, they are reintegrated into appropriate value chains, fostering a society with a robust economy that coexists harmoniously with nature. The circular economy concept, which differs significantly from the linear "take-make-dispose" model, emphasizes sustainability and risk mitigation. Here, waste is not the end product but is reprocessed into new items, eliminating the disposal phase of the linear economy model entirely. The Club of Rome, a global think-tank, predicts that the circular economy could lead to a 70% reduction in carbon emissions by 2070.



Currently, Pakistan grapples with products that aren't designed for reuse. If these items are to be repurposed, we must take a circular approach, recycling the raw materials used in their production. The goal should be to achieve the highest possible material value with the least effort and energy. Notably, recycling often requires less energy than procuring new raw materials through mining or farming. Despite the understandable lag seen in developing countries, international organizations have acknowledged the potential of circular economy models in some developed nations.

For example, the textile industry in Pakistan, a major contributor to waste, can repurpose this waste as raw materials for related industries, improving economic stability and lessening environmental impact. Other potential areas include converting agricultural waste into biogas and other energy sources, and wastewater treatment.

Adopting a circular economy aligns with the government's sustainable growth objectives, potentially increasing productivity, creating jobs, reducing carbon emissions, and conserving valuable raw materials. Given the inflationary trends in the country and government struggles, establishing a circular economy could provide a buffer against resource supply risks and commodity price fluctuations. By extending the lifecycle of products and materials, we can build resilience against global resource pressure.





Given the economic difficulties and energy crisis Pakistan faces, it's crucial to consider the benefits of transforming waste into wealth. Recycling can cut costs, save energy and labor, and reduce environmental harm. Besides textiles and related industries, the circular economy can also be applied to the agricultural sector, a significant part of Pakistan's economy, making recycling a promising approach.

The government should work to establish a robust market for organic fertilizers while gradually phasing out petrochemical ones. In reality, every economic sector, from food production to construction, can benefit from the circular economy model. Therefore, government policies should strive to encourage innovation and risk-taking within the private sector to promote circular solutions while ensuring essential protections are in place.

Numerous sectors stand to benefit from the application of circular economy principles, and these extend beyond just waste management, energy, and agriculture to include:

**1.Waste Management:** The circular economy can reduce waste by promoting recycling, upcycling, and composting. This approach could greatly enhance the management of the significant amount of MSW Pakistan produces annually. Waste management and recycling are critical components of the circular economy, and the government of Pakistan has launched several initiatives to promote these activities. For example, in 2019, the government unveiled the 'Clean Green Pakistan' campaign, which was aimed at promoting responsible waste management and recycling activities across the country.

**2.Agriculture:** As a major agricultural producer, Pakistan's agricultural sector is a notable contributor to pollution and climate change.

Circular economy principles like crop rotation, cover cropping, and composting can enhance the sustainability of this sector. Organic farming is gaining popularity in Pakistan, as some forward-thinking participants in the agricultural sector consider sustainable alternatives to farming practices that rely on chemical fertilizers and pesticides. The government has launched several initiatives to promote organic farming, including the 'National Program for Enhancing Command Area of Barani Areas in Pakistan' and the 'National Program for Improvement of Watercourses in Pakistan'

**3.Construction:** The construction sector, a major consumer of resources and generator of waste, can become more sustainable through the circular economy's promotion of the use of recycled materials, modular construction, and green building practices. Sustainable construction practices, such as the use of eco-friendly building materials and green design principles, are gaining traction in Pakistan. The government has launched several initiatives to promote sustainable construction practices, including the 'Clean Green Pakistan Program' and the 'National Energy Efficiency and Conservation Program'.

**4.Waste electrical and electronic equipment (WEEE):** The proper disposal, recycling, and re-use of electronic components are key aspects of e-waste management, which can help to curtail environmental harm.

**5.Plastics:** With plastic waste posing a major environmental issue, the circular economy offers solutions such as improving waste collection, recycling, and redesigning plastic products for longer use and easier recyclability.



**6.Textile Sector:** Being one of the world's largest cotton producers, Pakistan's textile industry is ripe for the integration of circular economy principles, which could include recycling water used in manufacturing processes, creating textiles from recycled or renewable materials, and reusing waste products.

#### 4.2.2 Waste Management

There is a significant opportunity for growth in the waste management and recycling industry in Pakistan. The country generates approximately 20 million tons of solid waste annually, a figure that grows by 2.4% each year. Despite the significant volume of waste, the formal recycling facilities are lacking in the country, and the majority of waste collection and recycling is done informally, often by children and low-income individuals.

The informal recycling sector in Pakistan is thriving and consists of scavengers who collect waste materials, which are then sold to local scrap dealers. These dealers sort and clean the materials before selling them to middlemen, contractors, or factories<sup>1</sup>. The collected recyclables include metal, glass, paper, and plastic. Small industrial units, rather than formal recycling facilities, buy these recyclables and convert them into composite forms for producing new products. A major issue that hampers the recycling process is that households in Pakistan typically do not segregate their waste, leading to contamination of recyclable materials. This lack of segregation is due to a combination of lack of awareness and investment in separate bins for different waste types.

A few companies in Pakistan, such as Green Earth Recycling in Lahore, are taking innovative steps to address these issues. They specialize in waste-to-product recycling and manufacturing and obtain all of their raw materials locally through contractors who depend on scavengers for collecting plastic and paper waste.

Addressing these issues presents a significant business opportunity. Improving waste segregation practices at the household level could increase the quality and quantity of recyclable materials collected, thereby reducing the amount of waste that ends up in landfill sites.

Moreover, there's an opportunity to formalize the recycling industry, which could lead to better working conditions, increased efficiency, and higher-quality recycled materials. This could be particularly beneficial for the plastic recycling industry, as high-quality plastic manufacturers in Pakistan currently rely on imported materials due to contamination of locally recycled plastic.

Pakistan is one of the few countries where discarded paper and plastic waste is sorted manually, which makes the raw material cheaper and cleaner, with potential to export to China. The business opportunity lies in formalizing and improving the recycling industry, focusing on better waste segregation at the source, and possibly exploring the export potential of recycled materials. However, this would require significant investment in infrastructure, education, and possibly policy changes.



### 4.2.3 The business potential in the waste management industry in Pakistan:

Finnish companies, particularly those with expertise in waste management, recycling, and sustainable technologies, could find several opportunities in Pakistan's current waste management challenges. Here are a few possibilities:

| Sno. | Opportunity  | Details  |
|------|--|--|
| 01   | Waste Management Technology and Infrastructure Development | Finnish businesses that produce advanced waste management and recycling technologies could provide the equipment and technology needed to modernize Pakistan's recycling industry. They could also invest in the development of recycling facilities in Pakistan.  |
| 01   | Consultancy, Education, and Awareness                      | Finnish companies with expertise in circular economy principles could offer consultancy services to help Pakistani businesses and government bodies adopt these principles. This could include public education about waste segregation and recycling, and awareness campaigns about the benefits of a circular economy. |
| 01   | Production of Recycled Products                            | Finnish companies that design and produce goods from recycled materials could set up production facilities in Pakistan, utilizing the large amount of recyclable waste available. Products could range from furniture and home goods to construction materials and packaging.  |
| 01   | Waste-to-Energy Solutions                                  | Finnish companies could collaborate with Pakistani businesses to set up waste-to-energy plants. These facilities would manage waste volumes and provide a source of heat and electricity for local communities.  |
| 01   | Digital Platforms for Waste Management                     | Finnish tech companies could create digital solutions to enhance waste management in Pakistan. This could include platforms for coordinating waste pickup and recycling, tracking materials through the recycling process, or connecting waste producers with recycling facilities.                                      |



| Sno. | Opportunity   | Details   |
|------|---|---|
| 01   | Partnerships with Local Businesses                      | Finnish companies could partner with existing Pakistani businesses, such as Green Earth Recycling in Lahore, to implement advanced technologies and practices. This would also allow for the transfer of knowledge and skills to the local workforce.                       |
| 01   | Introduce Biodegradable and Microplastic-Free Materials | Companies like Sulapac and Spinnova could work with Pakistani manufacturers to introduce their innovative, environmentally friendly materials to the local market. This could also spur the development of new industries in Pakistan focused on producing these materials. |
| 01   | Develop and Implement Waste Segregation Systems         | Finnish companies with expertise in waste management could assist in the development and implementation of waste segregation systems in Pakistan. This would help increase the amount and quality of recyclable materials, and reduce contamination.                        |

### 4.2.4 Agriculture and circularity:

Pakistan's agriculture sector, a cornerstone of the nation's economy, grapples with numerous issues, including inconsistent weather patterns, inadequate irrigation, insufficient cold storage, and escalating costs. Given that it contributes 20% to the GDP and provides employment for 40% of the population, a pressing need exists for the adoption of digital and sustainable transformation strategies to address these challenges.

A Circular Economy, designed to eliminate waste, continually utilize products and materials, and regenerate natural systems, presents promising solutions when applied to the agri-food system.

This approach encourages sustainable food and goods production through minimal external input, closure of nutrient cycles, reduced environmental discharges, and recycling or utilization of agricultural waste.

Incorporating a circular economy can lend value to waste while advancing sustainable development objectives. Each year, Pakistan discards biogas worth Rs.260 billion from buffalo and cattle and Rs.860 billion worth of inexpensive energy from the residues of four primary crops. Efficiently utilizing these wastes within a circular economy could reap significant benefits.



The relentless expansion of crop areas and irrigation systems exerts enormous pressure on natural resources. On a global scale, 40% of produced food is lost or wasted throughout the supply chain, emphasizing the urgent need for waste reduction, recycling, and reuse (RRR) within existing systems. It is essential for Pakistan to adopt a circular food economy to sustain its current food system. This approach highlights the cyclical repurposing of food, reintegrating products back into the original food supply chain. This regenerative strategy addresses and rectifies gaps in the food system, particularly in the areas of production, consumption, and disposal.

Achieving a circular food economy, however, is a piece of a larger sustainability puzzle that encompasses facets like climate change, sustainable energy and agriculture, and social sustainability. The country's current linear food economy often results in the majority of production resources ending up as landfill waste. With its waste management system under mounting pressure, waste from households, the hospitality industry, and local small-scale industries is often discarded directly into landfills without prior segregation or treatment. This practice has severe repercussions on human lives, the environment, and natural resources, significantly contributing to greenhouse gas emissions.

Reimagining food waste as a resource within a circular food economy presents a viable solution. It can be repurposed into nutrient-rich fertilizer, animal feed, biofuel, and other eco-friendly products. Initiating

the process by reducing losses at the farm, logistics, and consumer levels can be beneficial. Safe-to-consume surplus food should be redirected to those who need it most. While some food waste is unavoidable, its recycling into environmentally friendly products can fulfill the circular food model, reducing the carbon footprint and minimizing environmental impacts.

Based on general trends in circular agriculture and the needs of Pakistan's agricultural sector. Here are a few potential areas of growth:

#### **1.Sustainable Farming Practices:**

Beyond crop rotation, intercropping, and conservation tillage, sustainable farming can also encompass the use of integrated pest management to minimize the use of harmful pesticides. This might involve the introduction of beneficial insects, crop diversification, or natural pest repellants. Additionally, promoting the cultivation of indigenous and drought-resistant crops can also contribute to greater sustainability by increasing resilience to climate change.

**2.Waste Valorization:** Apart from transforming crop residues into biofuels and composting organic waste, anaerobic digestion could be employed to convert livestock waste into biogas for energy. Food processing wastes can be converted into high-value products, like proteins and antioxidants, which have industrial applications. By seeing waste as a resource, we can not only reduce landfill use but also generate additional income streams for farmers.



**3.Water Management Systems:** Rainwater harvesting and micro-irrigation techniques, such as drip irrigation and sprinkler systems, can optimize water use in farming. Implementing 'more crop per drop' strategies and promoting drought-tolerant crops can also help tackle water scarcity.

**4.Precision Agriculture:** Expanding on the use of technology in farming, precision agriculture can leverage machine learning and artificial intelligence to predict crop yields, optimize fertilization schedules, and diagnose plant diseases. The Internet of Things (IoT) can also be used to monitor soil moisture levels and automate irrigation, thereby reducing water waste.

#### **5.Agroforestry and Permaculture:**

These practices, while offering food security, also help combat land degradation, increase land productivity, and improve the livelihoods of rural communities. Introducing financial incentives and policy support for farmers can encourage the adoption of these sustainable practices.

**6.Local Food Systems:** Encouraging community-supported agriculture, where consumers buy shares of a farm's harvest in advance, can strengthen local food systems. Additionally, implementing food education programs can raise awareness about the environmental and economic benefits of consuming locally-produced food.

**7.Urban Farming:** Encouraging community participation in urban farming initiatives

can foster a sense of community, improve food literacy, and alleviate food deserts. In addition to hydroponics, aquaponics, rooftop and vertical farming, community gardens and edible landscaping can also be integrated into urban spaces.

**8.Organic Farming:** To further bolster organic farming, establishing certification bodies can provide farmers with an official endorsement, boosting consumer confidence and potentially increasing market value. Encouraging farmer training in organic farming techniques can also drive its adoption and ensure quality control.

**9.Regenerative Agriculture:** Promoting agroecological principles within regenerative agriculture, like crop-livestock integration and natural predator-prey relationships, can further enhance its benefits. Educating farmers on the economic and environmental benefits of regenerative agriculture can also drive adoption. Plus, policy incentives encouraging regenerative practices can fast-track its implementation.

#### **4.2.5 The business potential in agriculture in Pakistan:**

Given the high level of self-sufficiency in the food value chain in Finland and their strong expertise in preventing food wastage, there are numerous opportunities for Finnish businesses to invest and collaborate in the circular economy of agriculture in Pakistan:



| Sno. | Opportunity                                       | Details  |
|------|---|--|
| 01   | Investment in Sustainable Farming Technologies    | Finnish companies could invest in developing and implementing technologies for precision agriculture and sustainable farming practices in Pakistan. Collaborations with local agricultural businesses could provide drones, satellite imagery, and smart irrigation systems. |
| 01   | Establishment of Waste Valorization Facilities    | Finnish companies have the opportunity to establish facilities in Pakistan that convert agricultural waste into biofuels, fertilizers, and other high-value products. This can create a revenue stream from waste, help reduce pollution, and boost Pakistan's bio-economy.  |
| 01   | Development of Water Management Solutions         | Finland's expertise in water management systems can be a vital asset in tackling water scarcity in Pakistan. Finnish businesses could partner with local enterprises to introduce water recycling, treatment systems, and efficient irrigation techniques.                   |
| 01   | Promotion of Agroforestry and Permaculture        | Collaboration between Finnish and Pakistani researchers and agricultural experts could lead to the development of new methods for implementing agroforestry and permaculture in Pakistan, supporting local farmers and benefiting biodiversity.                              |
| 01   | Building Local and Urban Food Systems             | Finnish businesses can share their successful models of local food systems with Pakistani counterparts, and invest in urban farming initiatives in Pakistani cities. This can reduce food wastage, provide fresh produce to urban populations, and create job opportunities. |
| 01   | Promotion of Organic and Regenerative Agriculture | Finnish businesses can leverage their expertise in organic and regenerative farming to support Pakistani farmers in transitioning to these practices. This can involve investing in training programs or establishing certification bodies in Pakistan.                      |



| Sno. | Opportunity                                     | Details   |
|------|---|---|
| 01   | Investment in Food Processing Facilities        | Finnish businesses could invest in developing food processing facilities in Pakistan, which can help extend the shelf-life of fresh produce, reduce wastage, and create new market opportunities. These facilities could produce a variety of products such as canned goods, frozen foods, and dehydrated products. |
| 01   | Introduction of Packaging Innovations           | Finnish companies could introduce innovative packaging solutions to the Pakistani market to help extend the shelf-life of fresh produce and reduce wastage. This could include technologies for modified atmosphere packaging or intelligent packaging that indicates the freshness of food.                        |
| 01   | Training and Education on Food Waste Management | Finnish organizations can partner with Pakistani institutions to provide training and education to consumers, businesses, and policymakers on food waste management. This could involve sharing best practices, conducting workshops, and implementing campaigns to change consumption habits.                      |
| 01   | Implementation of Food Sharing Systems          | Finnish businesses could introduce food sharing systems like the Herkkupesä concept in Pakistan to reduce food waste. This could involve working with housing societies, community centers, or other organizations to set up systems for sharing excess food.   |



#### 4.2.6 Circularity in Construction

The construction industry in Pakistan is currently in the spotlight due to its unique challenges and potential growth opportunities. With the country's population rapidly expanding, there is an escalating demand for housing and public infrastructure, particularly in the bustling urban locales. However, the industry faces significant hurdles that question its ability to meet these growing demands, including economic instabilities, political unrest, and the adverse effects of climate change.

One of the critical issues confronting the sector is the escalating cost of essential construction materials. Factors such as the Pakistani rupee's devaluation, inflated transportation costs, and rising electricity prices have led to an increased price tag for fundamental materials like cement and steel. Consequently, the demand for construction has dwindled, prompting a discernable decline in the sector.

Further exacerbating the situation, current government policies, including a recent increase in taxes imposed on the real estate sector, are perceived as additional barriers to private investment, potentially stunting the industry's growth rate even further. However, it's important to note an exemption to this trend: the government's encouragement of vertical growth, specifically the construction of apartment buildings.

These structures have been exempted from Capital Gains Tax (CGT), a move aimed at spurring investment and hastening the pace of construction in this segment. Despite these hurdles, the

Pakistan Credit Rating Agency (PACRA) predicts a considerable surge in the sector, estimating a 92% growth from 2021 to 2029. To realize this projected growth, particularly in the construction of high-rise buildings, the integration of sustainable building and planning practices is essential. These practices involve the mandatory inclusion of service ducts to ensure healthy ventilation and air quality, recycling air-conditioning water, upholding a consistent architectural language, mandating semi-detached planning, ensuring sufficient ground floor landing and parking spaces, and creating buildings capable of withstanding high-magnitude earthquakes. Vertical vegetation should also be promoted for its environmental benefits.

Moreover, conservation initiatives should be central to the planning process, including the use of low-flow plumbing fixtures, grey water recycling, and commercial rainwater harvesting systems. These measures can not only conserve water but also provide a reasonable return on investment.

Simultaneously, the industry's significant contribution to solid waste, constituting around 30%, cannot be overlooked. Construction and demolition waste comprises a variety of materials, including soil, sand, rocks, concrete, wood, paper, drywall, metals, and potentially hazardous materials such as paints and corrosives. The main culprits behind such waste generation include poor material handling, excessive ordering, inadequate training, and insufficient storage and protection measures.



#### 4.2.7 The business potential in construction in Pakistan:

Despite the challenges that lie ahead, the industry offers promising opportunities in vertical growth, social housing, and cost-effective building design and construction. By addressing these issues and adopting sustainable practices, the construction industry in Pakistan can emerge stronger and more resilient.

The construction industry in Pakistan is a sector full of opportunities and potential for Finnish companies to explore. These opportunities range from technological collaborations to sustainability initiatives. Here are some potential avenues for business collaboration and investment:

| Sno. | Opportunity                          | Details   |
|------|--------------------------------------|---|
| 01   | Sustainable Construction Solutions   | Finnish companies specializing in sustainable building and planning practices can provide valuable services in Pakistan, including energy-efficient construction methods, green building technologies, and renewable energy solutions.        |
| 02   | Affordable Construction Materials    | Finnish suppliers of high-quality, cost-effective construction materials, including eco-friendly alternatives, could help combat the escalating costs of essential construction materials in Pakistan.  |
| 03   | Construction Waste Management        | Finnish companies like Delete, with efficient waste management models, could help to significantly reduce the solid waste generated by Pakistan's construction sector through recycling initiatives and improved material handling practices. |
| 04   | Vertical Construction Infrastructure | Given the Pakistani government's promotion of vertical growth, Finnish firms could supply technology, design, and engineering services for high-rise buildings, from architectural design to specialized equipment supply.                    |



| Sno. | Opportunity                             | Details   |
|------|---|---|
| 05   | Water Conservation Solutions            | Finnish technology companies focusing on water conservation could contribute to Pakistan's conservation initiatives by introducing low-flow plumbing fixtures, grey water recycling systems, and commercial rainwater harvesting systems. |
| 06   | Innovative Building Design and Planning | Finnish urban planning firms, architectural design companies, and smart city solution providers can help shape Pakistan's burgeoning urban spaces.  |
| 08   | Seismic-Resistant Construction          | Finnish companies specializing in seismic-resistant construction could provide critical expertise and products to meet the demand for buildings capable of withstanding high-magnitude earthquakes in Pakistan.                           |
| 09   | Real Estate Investment                  | Opportunities exist for Finnish real estate investors to capitalize on the exemption of apartment buildings from Capital Gains Tax (CGT) in Pakistan.   |
| 10   | Training and Skill Development          | Finnish companies could offer training programs focused on sustainable construction practices, waste management, and material handling to uplift the local construction workforce's skills in Pakistan.                                   |
| 11   | Circular Economy Implementation         | Finnish firms specializing in circular economy principles could work with Pakistani stakeholders to improve resource efficiency and reduce the need for new constructions, thus promoting sustainability in the construction sector.      |



| Sno. | Opportunity   | Details   |
|------|---|---|
| 12   | Building Conversion Services                            | Finnish firms experienced in converting commercial properties into residential spaces could play a pivotal role in optimizing Pakistan's existing building stock.   |
| 13   | Space Sharing Solutions                                 | Finnish companies like Venuu could bring their innovative solutions to Pakistan to optimize the use of special-purpose spaces, contributing to resource efficiency.   |
| 14   | Prefabrication and Surface-Mounting Cabling             | Companies offering services in these areas could help reduce construction costs and improve efficiency in Pakistan, also aiding in the more efficient recovery of building materials at the end-of-life phase.                    |
| 15   | Policy Advocacy and Consultancy                         | Finnish entities experienced in shaping industry-friendly regulations and policies could provide consultancy services to promote a more conducive regulatory environment for the growth of the construction industry in Pakistan. |
| 16   | Training and Consultancy on Circular Economy Principles | Finnish firms providing educational services on circular economy principles could partner with Pakistani construction companies, leading to more efficient use of resources, reduced waste, and overall industry sustainability.  |

#### 4.2.8 Waste electrical and electronic equipment (WEEE):

**1.Introduction to E-Waste Challenges in Pakistan:** The issue of e-waste in Pakistan has been growing since the first phase of economic liberalization in the 1960s, a time when Pakistan became recognized as a model of economic development due to its impressive average GDP growth rate of 6.8%. Today, the rising population, coupled with the advancement of Information and Telecommunications Technology (ICT), and the increasing purchasing power have led to a surge in demand for electronic goods, particularly in sectors such as home appliances, telecommunications, IT, and computers.



However, the heavy reliance on imported parts in the electronics industry implies that all significant components in electrical equipment are either imported or smuggled into Pakistan, making the industry dependent on foreign parts. This dependence, along with the rapidly increasing sales and domestic technological advancements, has resulted in an escalation of e-waste, both domestically generated and imported from developed countries, intensifying the complexity of solid waste management in Pakistan.

**2.Concerning Global Rankings and Health Hazards:** A recent report by the United Nations has now placed Pakistan among the 15 countries where the dismantling and recycling of electronic waste, or e-waste, poses a significant health hazard. This situation contrasts sharply with countries like India, Brazil, and China, which lead in e-waste recycling.

The UN's report, "Children and digital dumpsites," emphasizes the severe health risks to children, adolescents, and expectant mothers resulting from the illegal processing of used electrical or electronic devices globally. The study indicates that Pakistan produced 433 kilotons of e-waste last year, contributing to the global toxic threat posed by e-waste.

**3.The Status of Informal and Hazardous Recycling:** In Pakistan, hazardous recycling operations are carried out informally to recover valuables from e-waste. These include dangerous techniques like physical dismantling, open burning, and acid baths, usually conducted in open-air environments and small workshops with poor ventilation. These operations pose a significant risk to workers and residents in proximity to these recycling areas, who remain largely uninformed about the hazards of informal e-waste recycling.

Karachi is the primary hub for e-waste recycling and dismantling in Pakistan, with an estimated 12.46 kilotons of old computers imported into the city from various countries in 2014. Lahore also sees significant e-waste recycling activity, particularly in enclosed spaces with poor ventilation. Other cities involved in e-waste recycling, dismantling, and refurbishment include Faisalabad, Gujranwala, and Peshawar, although the extent of e-waste recycling in these areas is believed to be less extensive than in Karachi due to limited available data.

**4.Rising E-Waste Quantities and the Need for Regulation:** Despite the health risks associated with informal recycling, the quantities of e-waste in Pakistan continue to rise. The purchasing power of the population is increasing, leading to higher consumption of electronic goods and, consequently, more e-waste. In fact, the use of second-hand or refurbished electronic equipment has become common due to their affordability, contributing to the increase in e-waste. Current estimates suggest that e-waste generation in Pakistan may have increased by up to about 50% over the last decade. The future implications are concerning. The UN report points out that while countries like India have a national e-waste regulation policy and lead in e-waste recycling, Pakistan is still in the process of establishing such a policy. In the absence of comprehensive legislation and enforcement, the combined effect of increased domestic e-waste and imports will present significant challenges for e-waste management in Pakistan.

**5.Future Predictions and Implications:** The rapid global advancement of technol-



ogy is causing the average lifespan of electronics to decrease, leading to a higher turnover of electronic goods. The future generation of e-waste in Pakistan can be anticipated based on the country's GDP, as increasing GDP indicates the purchasing power of individuals and thus domestic e-waste generation.

If the current trends continue, Pakistan could become one of the leading countries in e-waste generation by 2050. This mounting e-waste, coupled with the influx of cheap electronics, is expected to exacerbate the disposal of a large amount of obsolete electrical and electronic equipment, intensifying the challenge of managing e-waste effectively. The inclusion of obsolete electronic goods imported under the guise of 'second-hand equipment' or 'metal scrap' further aggravates the situation. The lack of effective regulation for these products, coupled with the smuggling of goods origi-

nally imported for Afghanistan through Pakistan's ports and transport systems, underscores the urgent need for strategic intervention.

#### 4.2.9 The business potential in WEEE in Pakistan

Finnish companies, renowned for their prowess in machinery, equipment industry, and circular economy model, have significant opportunities to invest and collaborate in the WEEE (Waste Electrical and Electronic Equipment) industry in Pakistan. These collaborations offer a win-win opportunity: they would help build a sustainable and efficient e-waste sector in Pakistan while opening up new markets and opportunities for Finnish companies. They can foster technological exchange and capacity-building, promoting the principles of international cooperation and sustainable development.

| Sno. | Opportunity  | Details   |
|------|--|---|
| 01   | Establishment of Formal E-Waste Recycling Facilities         | Finnish firms like Outotec, experts in mining technology and plant construction, can build formal e-waste recycling facilities in Pakistan. Using innovative Finnish technology, these facilities could ensure efficient, environmentally friendly e-waste management, safe disposal of e-waste, and recovery of valuable metals. |
| 02   | Investment in Machinery and Equipment for E-Waste Processing | Companies like Ponsse, Valmet, and Metso can invest in providing machinery specifically for e-waste processing. Considering the lifespan of these machines, this could lead to sustained revenue and engagement.  |



| Sno. | Opportunity  | Details  |
|------|--|--|
| 03   | E-Waste Management Consultation and Training                 | Finnish companies can share best practices and offer e-waste management consultation and training to local businesses and government bodies, facilitating technological transfer and capacity-building.  |
| 04   | Investment in Machinery and Equipment for E-Waste Processing | Companies like Ponsse, Valmet, and Metso can invest in providing machinery specifically for e-waste processing. Considering the lifespan of these machines, this could lead to sustained revenue and engagement.   |
| 05   | Regulatory Cooperation                                       | Finnish firms can help Pakistan enforce existing rules like the Basel Convention and create new e-waste specific legislation. This collaboration might include offering policy expertise, sharing best practices, and advising on standards and certification systems for e-waste management.  |
| 06   | Technological Support  | Leveraging their advanced capabilities and experience in the circular economy, Finnish companies can provide solutions for e-waste management, recycling, and refurbishment. This support might also include technical assistance to Pakistani manufacturers, possibly involving collaboration on the development of eco-friendly electronic devices or efficient recycling equipment. |
| 07   | Implementation of a Circular Economy Model                   | Finnish companies could assist Pakistani firms in implementing a circular economy model. This could involve strategies for designing electronics for longevity, repairability, recyclability, and systems for returning and refurbishing used electronic goods.  |



| Sno. | Opportunity                         | Details   |
|------|-------------------------------------|---|
| 08   | Formalizing the E-Waste Sector      | Finnish companies can assist in transitioning Pakistan's e-waste sector from informal to formal. This could involve sharing knowledge about business models, supply chain management, quality standards, and integrating informal workers into formal systems, providing safe recycling equipment and health and safety training. |
| 09   | Public Awareness and Training       | Finnish firms could raise awareness about e-waste hazards and eco-friendly recycling. This could involve sponsoring public campaigns, offering worker training, or creating educational resources for schools and universities in Pakistan.   |
| 10   | Implementation of Take-Back Systems | Finnish companies can help implement Extended Producer Responsibility (EPR) in Pakistan by sharing experiences and best practices. They could also assist Pakistani manufacturers in setting up take-back systems or revive and scale up efforts like the Nokia take-back campaign from 2010.                                     |
| 11   | Research Collaboration              | Finnish companies and research institutions can partner with Pakistani counterparts to study the e-waste problem and develop innovative solutions tailored to Pakistan's specific needs. This could involve field research collaboration, data sharing, or joint development of new e-waste management technologies.              |





The widespread use of plastic in Pakistan, driven by factors such as rapid urbanization, population growth, and rising consumerism, has resulted in the plastic industry growing at an annual rate of 15%. However, this economic gain is coupled with a significant environmental challenge - plastic waste. To address this pressing issue, Federal Minister for Climate Change, Senator Sherry Rehman has proposed a shift towards the 7Rs strategy and the circular economy model during a high-level policy dialogue organized by the Sustainable Development Policy Institute (SDPI) on World Environment Day 2023.

The 7Rs, which stand for "resource, research, responsibility, recycle, re-use, redesign, and reduce," form the backbone of the Ministry of Climate Change and Environmental Coordination's action plan to combat plastic pollution. Senator Rehman emphasized that the 7Rs strategy demands everyone make conscious choices to reduce plastic consumption, reimagine the design and manufacturing of plastic products to minimize their environmental impact, extend the lifespan of products and packaging, reduce reliance on single-use plastics, and transform plastic waste into new materials for circularity.

Despite the efforts of countries like Norway, Sweden, and Germany, which have managed successful plastic recycling programs, the rest of the world only recycles about 9% of total plastic waste. In contrast, Pakistan's informal sector recycles a meager 3-4% of plastic waste. The minister further revealed the alarming fact that plastic generation is not decreasing, but rather tripling across the globe.

To combat the issues arising from single-use plastics, the Pakistani government has introduced a ban on their manufacturing starting from August 1st, 2023. This was a

decision that came with great difficulty and resistance, particularly from manufacturers, as it disrupts existing supply chains.

However, Senator Rehman stressed the need for community engagement and public participation in achieving a plastic-free Pakistan. Similar sentiments were echoed by the Special Assistant to the Prime Minister (SAPM) and Convener SDGs Taskforce, Romina Khurshid Alam, who emphasized the need to rethink our response to plastics on an emergency basis.

Plastic pollution's impact on the environment, freshwater reserves, and tourism spots was underscored. The minister pointed out that while recycling in the informal sector in Pakistan is low, the country shares with other South Asian nations a habit of reusing items rather than discarding them. She underscored that despite the 2019 enthusiasm for using cotton bags instead of plastic ones, the passion was short-lived, and old habits prevailed.

United Nations Environment Programme (UNEP), Executive Director, Inger Anderson, in her message, highlighted that beating plastic pollution requires more than just recycling; it calls for refusing and reimagining plastics. She urged everyone to join in the fight against plastic pollution. It is clear that addressing the issue of plastic pollution in Pakistan, as in the rest of the world, requires collective action, behavioural changes, and innovative solutions. Embracing a circular economy model, along with the 7Rs strategy, can help pave the way towards sustainable development.



#### 4.2.11 The business opportunities in Plastics

As Finland has been at the forefront of innovation in managing plastic waste, there exist several potential avenues for Finnish companies to engage with the business landscape in Pakistan. These opportunities not only pave the way for sustainable waste management and the reduction of single-use plastic but also allow for cross-cultural collaboration in achieving global environmental goals. The following table presents ten concrete opportunities, categorized by type and described in detail, to highlight the myriad ways in which Finnish businesses can make a positive impact and broaden their reach in Pakistan.

| Sno. | Opportunity                        | Details   |
|------|------------------------------------|---|
| 01   | Waste Management and Recycling     | Finnish companies specializing in waste management and recycling can establish facilities in Pakistan to manage plastic waste. This could include mechanical or chemical recycling plants similar to those developed by Fortum and Fenergy.   |
| 02   | Innovative Product Development     | Finnish companies that specialize in innovative product development can explore opportunities in Pakistan's packaging industry. Examples include the creation of sustainable packaging solutions, like Jospak's award-winning recyclable plastic film combined with cardboard.          |
| 03   | Environmental Consultancy Services | Finnish environmental consulting firms can assist Pakistani companies in meeting international standards for plastic waste management and the reduction of single-use plastic. These firms could leverage Finland's experience in aligning with EU Waste Directive objectives.          |
| 04   | Education and Training             | Finnish entities could provide education and training to Pakistani organizations on effective waste management practices, similar to the awareness raised by Sitra in Finland. This could also involve the development of local educational materials or curricula on waste management. |



| Sno. | Opportunity                   | Details   |
|------|-------------------------------|---|
| 05   | Research Collaboration        | Research institutions in Finland like VTT could collaborate with universities and research organizations in Pakistan on studying and innovating new methods of plastic waste management and chemical recycling.   |
| 06   | Green Initiatives             | Finnish firms could partner with local businesses to implement Green Deal initiatives in Pakistan. This could involve promoting recycling and reducing plastic use in the hospitality sector, including cafés and restaurants.  |
| 07   | Biobased Materials Production | Finnish companies with expertise in biobased materials, such as Woodly®, can explore opportunities in the production and supply of these sustainable alternatives in Pakistan's packaging and manufacturing industries.   |
| 08   | Software Solutions            | Finnish tech companies could provide software solutions to manage and monitor plastic waste and recycling in Pakistan. This could include systems for tracking waste collection and recycling rates, or apps to encourage consumer participation in recycling programs. |
| 09   | Sustainable Manufacturing     | Finnish companies with expertise in sustainable manufacturing can invest in Pakistan's industrial sector, promoting techniques and practices that minimize waste and maximize recycling.  |
| 10   | Investment in Local Startups  | Finnish investors and venture capitalists could invest in Pakistani startups that are working on innovative solutions to plastic waste. This could help develop the local economy and foster innovative solutions to environmental challenges                           |



#### 4.2.12 Circularity in textiles

The textile industry, a crucial part of the global economy, continually prompts conversations about its environmental impact. One key highlight from a recent life-cycle assessment (LCA) by the European textile reuse and recycling industry (EURIC) is the significant environmental benefits of textile reuse. Notably, reusing textiles is shown to be 70 times less environmentally damaging than the production of new clothing, even when including the carbon emissions from the transportation associated with global exports for reuse.

For every high/medium-quality clothing item that's reused, a substantial 3 kilograms of CO2 are averted, and only 0.01% of the water needed to create new clothing is consumed. This significant information arrives as the European Union (EU) sets forth its Strategy for Sustainable Textiles, which requires Member States to commence separate textile collection by 2025.

Yet, the EU's textile waste exports, comprising unwanted clothes, have shown an escalating trend, hitting a high of 1.4 million tonnes in 2021. Approximately 2.1 million tonnes of post-consumer clothing and home textiles are annually gathered in the EU for either recycling or sale in global reuse markets. This makes up approximately 38% of textiles entering the EU market, while the remaining are disposed of in mixed waste streams. A major recipient of this exported textile waste is Pakistan, which imported used clothing worth 46 million USD from the EU in 2021.

Within Pakistan, some industries recycle imported used clothes, but a considerable fraction goes directly to resale

markets or landfill sites. For instance, the Karachi Export Processing Zone (KEPZ) greatly benefits from the used textile industry, recycling and reselling imported used clothes globally. Should industries shift towards the recycled fashion market, the recycling and redesigning of both imported and locally sourced used clothes could become a major business sector for Pakistan. The EU Strategy for Sustainable and Circular Textiles holds the potential to greatly alter textile production patterns in Pakistan, fostering the manufacture of high-quality clothing and promoting the recycling of second-hand clothes.

Furthermore, several recent advancements have been made within the industry. Accelerating Circularity has published a comprehensive directory of international recyclers to boost connections within the textile value chain and propel textile-to-textile recycling. Carbios has successfully completed the CE-PET1 project, demonstrating the application of its PET recycling technology to textiles. Fashion for Good has kicked off the Sorting for Circularity USA Project, a new initiative focused on the North-American textile-to-textile recycling market. Moreover, the EU has added significant flame retardants to its list of substances of very high concern, encouraging a shift towards a cleaner and safer future.

As the 8th largest exporter of cotton in Asia, Pakistan has the third-largest capacity for yarn spinning after India and China. The textile industry stands as one of the few successes in Pakistani manufacturing, contributing roughly a quarter of industrial added value, employing about 40% of the industrial workforce, and accounting for



As the 8th largest exporter of cotton in Asia, Pakistan has the third-largest capacity for yarn spinning after India and China. The textile industry stands as one of the few successes in Pakistani manufacturing, contributing roughly a quarter of industrial added value, employing about 40% of the industrial workforce, and accounting for 55-60% of national exports. Despite these achievements, the industry's heavy reliance on energy and water resources poses a considerable threat to its sustainability. Major Pakistani cities with textile industries include Karachi, Lahore, Faisalabad, and Multan.

Particularly, Faisalabad, the city with the largest textile industry, houses over 100 textile processing factories and grapples with energy and water shortages. Hence, it becomes crucial to explore potential solutions for not just textile resource, energy, and water sustainability, but also for environmental sustainability.

In Pakistan, the Better Cotton Initiative (BCI) has been promoting sustainable cotton production since 2010. During the 2018-2019 period, BCI farmers produced 906,000 tonnes of Better Cotton, ranking Pakistan as the second-largest producer of Better Cotton, following Brazil. During the 2020-21 crop season, BCI partners trained over 500,000 cotton farmers in sustainable cotton production, and it's anticipated that close to 1 million MT of Better Cotton will be produced by Pakistani farmers during the same period. Farming Better Cotton has proven to significantly reduce pesticide, fertilizer, and water usage compared to conventional cotton farming and also increases the net profit for farmers. Major retailers and brands worldwide, including IKEA, LEVIS, H&M, Zara, Decathlon, Nike,

Adidas, Tesco, Target, Mango Woolworth, etc., are presently sourcing Better Cotton from Pakistan.

Recycling textiles demands a systematic approach as circularity has implications for various stages of the product life cycle. The source material needs to be compatible with the product or vice versa. Moreover, suppliers need to offer the necessary processes, machinery, capabilities, and transparency. The product itself needs to fulfill the brand and consumer requirements. It's necessary to consider the implications for each stage and actor before implementing actions through a systematic approach.

To attain transparency, it's essential to only collaborate with partners capable of providing relevant information about their supply chain and processes, possess a sound communication infrastructure with the entire supply chain, and use effective transparency tools already available in the market.

Circularity demands a systematic approach involving actors from design to supply chain. As circularity impacts all parts of the product life cycle, a partnership approach is necessary for coordinating product development. This implies an ongoing engagement with suppliers in the long term. Brands and retailers, along with their designers, must work in sync with their supply chain to produce products meeting quality, design, and sustainability requirements. A partnership approach also promotes transparency and compliance in the supply chain and helps adapt to evolving requirements and framework conditions.



Lastly, the design phase is where a large part of the impact will be generated. Designing products with recycled content requires considering both the technical requirements and the design and quality requirements to create an economically successful product. Good communication and cooperation between different parts of the supply chain are extremely important to make products that are both technically feasible and economically successful.

In conclusion, while challenges exist, it's feasible to recycle cotton, polyester, and blends in Pakistan, including colored items. Economic feasibility is achievable by meeting customer requirements and keeping the amount of recycled content at a level that maintains acceptable quality. With water and energy-saving processes and clean practices at certified manufacturers, ecological feasibility is given. Further, the social impact of circular textiles is positive as it offers business opportunities to factories that meet international standards of social compliance, thus creating jobs in a decent work environment with significant growth potential in the near future.

#### 4.2.13 The business opportunities in textiles

The global textile industry is experiencing significant shifts towards sustainable production methods and a circular economy, aligning with mounting environmental concerns and rising consumer awareness. Among the Nordic countries, Finland has been a trailblazer in driving this transformation, underpinned by the adoption of advanced technologies, legislation, and industry practices. However, to strengthen its leading position and meet the ambitious goal of becoming

a carbon-neutral circular society by 2035, Finland can explore several mutually beneficial opportunities with developing nations, notably Pakistan. The table below outlines these potential opportunities in detail, ranging from market entry and factory set-up to skills training, branding, and technological development. By capitalizing on these opportunities, Finland can fortify its international standing, contribute to its climate targets, and further its journey towards a sustainable textile industry.





| Sno. | Opportunity                  | Details  |
|------|------------------------------|--|
| 01   | Market Entry                 | Entering the textile recycling market in Pakistan offers Finnish companies a new, fast-growing market with access to high-quality textiles. This move could bolster Finland's recycling industry and contribute to its climate targets, enhancing the region's self-sufficiency and expanding circular value chains.   |
| 02   | Factory Set-Up and Operation | Setting up sustainable textile factories in Pakistan allows Finnish companies to reduce production costs, gain supply chain control, and produce textiles aligning with the evolving global sustainability standards. This initiative contributes to Finland's transition towards a circular economy, stimulates job creation in Pakistan, and drives industry innovation. |
| 03   | Skills and Quality Training  | Providing skills and quality training within factories enhances product quality, reduces compliance risks, and promotes knowledge exchange. This can contribute to Finland's sustainability goals by producing high-quality, sustainable textiles and fortifying the reputation of Finnish quality and innovation in textile production.                                   |
| 04   | Governance Training          | Offering governance training promotes ethical sourcing, fair labor practices, and sustainable waste management. This move aligns with Finland's commitment to sustainable and ethical business practices and strengthens Finland's role as a trailblazer in the circular textile industry.   |
| 05   | Branding and Market Entry    | Creating a brand for Pakistani textiles in the Finnish market can attract environmentally-conscious consumers and tap into a new market segment. This branding effort supports the Finnish textile industry's growth and diversity and aligns with Finland's focus on sustainability.  |



| Sno. | Opportunity                         | Details   |
|------|-------------------------------------|---|
| 06   | Sustainable Supply Chain            | Establishing a sustainable and ethical supply chain enhances the companies' sustainability credentials and supports fair trade. Sourcing sustainable materials from Pakistan can contribute to Finland's circular economy goals and increase self-sufficiency, echoing Finland's commitment to mandatory textile waste collection.  |
| 07   | Product Design and Development      | Setting up design studios in Pakistan can support innovation and boost the company's sustainability profile. This step can contribute to Finland's sustainability goals and strengthen Finland's reputation for design and innovation, echoing the spirit of projects like Telavaluue and ExpandFibre.  |
| 08   | Technology Transfer and Development | Transferring cutting-edge textile recycling technology to Pakistan can enhance operational efficiency, foster international research collaboration, and improve the sustainability of production processes. This action aligns with Finland's goal of transforming textile waste into a valuable raw material and the nationwide commitment to separate textile waste collection. |
| 09   | Advocacy and Education              | Funding educational programs and awareness campaigns promotes sustainable textile practices, supports community engagement, and fosters the growth of a sustainable consumer market. This initiative resonates with Finland's commitment to sustainability education and its aim to become a carbon-neutral circular society by 2035.   |



### 4.3 Key Stakeholders

| Sno. | Stakeholder                                   | Role   | Examples  |
|------|---|--|---|
| 01   | Government Bodies                             | Set policy landscape, enforce regulations, incentivize circular practices  | Ministry of Climate Change, Environmental Protection Agency, Pakistan Environmental Protection Agency (EPA)   |
| 02   | Non-Governmental Organizations                | Advocate for environmental issues, conduct research, work on ground-level implementation                             | World Wildlife Fund (WWF) Pakistan, National Cleaner Production Centre (NCPC), National Forum for Environment and Health (NFEH), Akhuwat Clothes Bank |
| 03   | Academic Institutions/think tanks             | Conduct research and development, offer specialized training, influence policy through evidence-based studies        | Sustainable Development Policy Institute (SDPI) Universities and research institutions in Pakistan  |
| 04   | Private Sector Companies                      | Implement circular economy principles in their business practices, innovate in sustainable technologies              | Companies in renewable energy, waste management, recycling, and sustainable agriculture   |
| 05   | International Donors and Development Agencies | Provide financial and technical assistance for projects related to environmental sustainability and circular economy | World Bank, Asian Development Bank, United Nations agencies   |
| 05   | Entrepreneurs and Startups                    | Innovate solutions for waste management, renewable energy, and other circular economy components                     | Ouroboros, Trashit, Garbagecan, GreenEarth, CashtheTrash,   |



### 4.4 Case Studies and Examples - Exploring Sustainable Practices and Circular Economy Initiatives

#### Circular Systems and Nishat Mills: A Sustainability Partnership

Circular Systems, a US-based materials science company, has entered into a licensing arrangement with Nishat Mills, part of the Nishat Group. This partnership aims to streamline mass order fulfillment, ultimately scaling its positive environmental impact across the globe.

Circular Systems' Texloop RCOT Primo recycled cotton and Agralooop BioFibre yarns will be produced more efficiently as part of this collaboration. This venture marks the first time that Circular Systems has cooperated in a formal licensing role with a Southeast Asian company. The partnership is expected to enable access to the mass-scale textile market in the region, potentially expanding Circular Systems' client base through Nishat Mills' strong network of partnerships. As a result, Circular Systems can increase its sustainability reach, streamline its capacity to fulfill recurring orders, and offer more competitive pricing.

Nishat Mills, a vertically integrated textile company in Pakistan with seven decades of experience across various textile domains, is an authorized supplier for prominent international brands, including H&M.

Isaac Nicholson, CEO and co-founder of Circular Systems, has expressed optimism about this partnership. He envisions this cooperation as a significant opportunity to bring Texloop RCOT Primo and Agralooop BioFibre to major retailers who previously had limited access to

materials necessary for sustainable collections.

Nicholson emphasizes that this partnership will extend access to low-impact yarns and materials in the South Asia region. The ultimate goal is to advance the circular economy and reduce environmental harm in the textile industry.

In the pursuit of long-term, sustainable solutions at the onset of the textile manufacturing process, Circular Systems and Nishat Mills will cooperate closely. Leveraging Nishat's scale and reach into the global textile industry, this collaboration will facilitate substantial reductions in water, chemical, and energy usage, and greenhouse gas emissions throughout the textile production process.

Maqsood Ahmad, executive director of Nishat Mills Ltd, highlights the company's commitment to providing top-quality textiles and apparel to their customers. He expresses his excitement about this partnership with Circular Systems, which will introduce circularity into Nishat Mills' processes, marking a significant stride towards a more sustainable production approach.

#### Engro Polymer & Chemicals Joins the Global Plastic Action Partnership

Engro Polymer & Chemicals (EPCL), a subsidiary of Engro Corporation, has become the first affiliate member from



Pakistan to join the World Economic Forum's (WEF) Global Plastic Action Partnership (GPAP). This move forms part of EPCL's sustainability efforts to promote a circular economy and strive towards achieving zero plastics waste. Engro Corporation is a strategic investment of Dawood Hercules Corporation, which is a partner level company of the World Economic Forum.

By leveraging the GPAP platform, EPCL plans to forge national and international partnerships, glean insights from global best practices, and lead circular plastics initiatives. These efforts aim to help Pakistan overcome its plastic pollution challenge.

In May 2021, EPCL had announced plans to establish a Circular Plastics Institute (CPI), a not-for-profit think tank. The CPI will promote research and development in Pakistan's circular plastics economy. The Institute's research will focus on municipal solid waste management, specifically plastics and PVC. By advising on legislation and policy, the CPI will aid Pakistan in achieving its global commitments towards a zero-waste future by 2030.

According to Jahangir Piracha, CEO of Engro Polymer & Chemicals, joining GPAP aligns with the company's vision to support the Government's goal of a cleaner and greener Pakistan. The company will work closely with the Ministry of Climate Change and other stakeholders to build momentum towards a national multistakeholder platform. This platform will aim to incorporate the circular economy as a key part of government policy.

Kristin Hughes, GPAP Director, warmly

welcomed Engro's participation in GPAP. She praised Engro's high level of expertise, valuable localized insights, and leadership. Hughes anticipates Engro's contribution to be pivotal in helping Pakistan accelerate action towards a circular economy and achieving net-zero waste by 2030.

The Global Plastic Action Partnership is a multistakeholder collaboration platform at the World Economic Forum. It aims to shape a more sustainable and inclusive world by eliminating plastic pollution. The GPAP brings together public, private, and civil society leaders to translate commitments to address plastic waste and pollution into concrete action, both globally and nationally. So far, GPAP has established four national partnerships in collaboration with the Governments of Indonesia, Nigeria, Ghana, and Vietnam.

### **Sapphire Textiles: Embracing Sustainability and the Circular Economy**

Sapphire Textiles, one of Pakistan's leading textile industry players, has actively incorporated sustainability and circular economy practices into its business strategy. The company is redefining its business approach with sustainability as a strategic imperative. It has focused efforts on renewable energy, emissions reduction, recycling and circularity, water conservation, plantation drives, and organic and regenerative agriculture.

As an active participant in the United Nations Global Compact since 2019, Sapphire is committed to contributing towards achieving the Sustainable Development Goals by 2030. Sapphire



mitigates carbon emissions through energy conservation, the use of green technology and energy-efficient machinery. To act as carbon sink, the company has planted nearly 10,000 trees. It has installed 500KW of solar power capacity and plans to increase this to over 5MW. Sapphire's subsidiaries have even built Pakistan's first wind farms, supplying renewable energy to the national grid. Sapphire's RESTORE initiative focuses on promoting recycling in the textile industry, specifically targeting textiles, fibres, and waste materials.

This approach acknowledges the significant environmental impact of the textile industry and caters to the growing consumer preference for recycled clothing. The company produces Recycled Polyester made from plastic bottles and Biodegradable Polyester, which behaves more like natural fibres. These materials are utilized in the production of durable and eco-friendly products like bedsheets, duvets, comforters, pillows, and filling materials.

To lessen the environmental impact of dyeing processes, Sapphire has transitioned from synthetic dyes to natural ones derived from plants, roots, fruits, wood, and nuts. The company has developed a unique Gold Standard, specifically tailored to Sapphire, as part of its journey towards becoming a more sustainable organization.

Sapphire actively seeks partnerships with government entities, NGOs, and civic organizations, fostering a united effort within the company towards a more sustainable world. As part of its sustainability strategy, Sapphire takes strong initiative in developing innovative solu-

tions and strategic methods for implementing them. Sapphire employs extensive sustainability data, with over 800 target actions that it uses to monitor and reassess its progress towards making a real, tangible change.

### **Green Earth: Advocacy for Circular Economies**

GreenEarth is an enterprise dedicated to promoting sustainable practices, emphasizing the potential of recycling. The organization champions the concept of a circular economy, advocating for the reintegration of used products, components, and materials into the value chain. Their mission is to create an ecosystem that fosters a healthy economy balanced with nature. GreenEarth also plays a pivotal role in raising awareness about the potential of circular economies to reduce carbon emissions significantly.

### **Akhuwat Clothes Bank: Clothes Recycling Initiative**

The Akhuwat Clothes Bank in Pakistan is a shining example of a successful circular economy initiative. This philanthropic organization collects used clothing, refurbishes them, and distributes them to individuals in need. By doing so, they reduce textile waste and provide essential clothing to those who cannot afford it.

### **Rizq: Fighting Food Insecurity**

Rizq is a non-profit organization dedicated to combating food insecurity, food wastage, and hunger in Pakistan. They aim to create a world where hunger doesn't stop anyone from reaching their potential, developing several programs to provide food assistance to food-insecure families and save food from waste.



### **Ouroboros: Providing Circular Economy Solutions**

Ouroboros is a company committed to providing environmental and circular economy solutions. Their services include advisory, waste collection and disposal, and recycling and recovery. Their efforts have resulted in the recycling of over 4 million KGs and the saving of over 5 million KGs of greenhouse gas emissions.

### **TrashIt: Waste Management and Composting**

TrashIt is a waste management startup in Pakistan committed to converting organic waste into valuable compost. Their primary services include the collection of waste from various sources and the segregation of organic and inorganic waste. A significant part of their operation is the conversion of organic waste into compost, which is then marketed for sale.

### **GarbageCAN: A Social Enterprise Fighting Waste and Poverty in Karachi**

GarbageCAN (Pvt.) Ltd. was established in Karachi in 2017 by Ahmad Shabbar, a scientist and engineer. Shabbar was concerned about the inefficiencies and gaps in the city's waste management system. He also saw how the informal waste management industry was leading to other social ills, such as child labour, drug addiction, and mafia activity.

The enterprise aims to make sustainable practices commonplace among Pakistanis. The company does this by taking the buzzword "sustainability" and making it easy for people to implement it in their daily lives. It offers a variety of services, including waste collection, recycling, and

composting. The company also provides educational programs about waste management and sustainability. GarbageCAN has been successful in making a difference in Karachi. The company has helped to reduce waste, improve recycling rates, and educate people about the importance of waste management.

Other examples:

**ModulusTech:** ModulusTech is a Pakistani company that provides portable housing solutions with net zero-energy consumption and reduced CO2 emissions. The company's products are made from sustainable materials, such as bamboo and recycled plastic. ModulusTech's housing solutions are designed to be affordable and accessible to a wide range of people.

**Code Green PK:** Code Green PK is an eco-friendly eCommerce platform that offers greener alternatives to single-use plastic products. The platform sells products such as reusable bags, water bottles, and straws. Code Green PK also provides educational resources about the importance of reducing plastic waste.

**EcoPak:** EcoPak is Pakistan's first sustainable packaging company. The company replaces harmful plastic utensils with food-grade, biodegradable products. EcoPak's products are made from materials such as sugarcane bagasse, wheat straw, and rice husks. The company's products are also compostable, which means that they can be broken down into natural materials by bacteria and fungi.

**Aabshar:** Aabshar is a cleantech startup that has created a water-saving nozzle that reduces water wastage by up to



98%. The nozzle is attached to a faucet and uses a vortex principle to mix air with water. This reduces the amount of water needed to produce a stream of water. Aabshar's water-saving nozzle is a simple and effective way to reduce water consumption.

**MyWater:** MyWater is a company that provides mineral drinking water using eco-friendly devices that eliminate plastic waste. The company's devices are called MyWater Bottles. MyWater Bottles are made from stainless steel and are reusable. The bottles are also fitted with a filter that removes impurities from the water. MyWater Bottles are a convenient and sustainable way to drink water.

**EcoEnergy:** EcoEnergy is a company that distributes electricity to off-grid rural areas across Pakistan using affordable solar technology. The company's solar panels are designed to be easy to install and maintain. EcoEnergy also provides financing options to make solar power more accessible to people in rural areas.

**Jaan Pakistan:** Jaan Pakistan is a social startup that researches and produces affordable energy solutions for low-income communities. The company's products include solar panels, water heaters, and cookstoves. Jaan Pakistan also provides training and support to help people use its products effectively.

**Breathe IO:** Breathe IO is a company that produces an IoT portable air monitor and purifier. The device uses sensors to measure air quality and produces a report that shows the levels of pollutants in the air. The device also has a built-in air purifier that can remove pollutants from the air. Breathe IO is a useful tool for

people who want to improve their air quality.

**Smart Water Tank:** Smart Water Tank is an IoTSoL initiative that allows users to regulate their water supply through remote management and pre-scheduling. The system uses sensors to monitor the water level in a tank and sends alerts to users when the tank is running low. Users can also use the system to pre-schedule water deliveries. Smart Water Tank is a useful tool for people who want to conserve water.

## **4.5 Government Policies and Regulations**

Pakistan has demonstrated a notable commitment to advancing towards a circular economy, enhancing sustainability, promoting renewable resources, and minimizing waste through various initiatives, policy measures, and regulations.

**National Electric Vehicle Policy 2020:** This policy encourages the use of electric vehicles and the expansion of renewable energy sources, reducing fossil fuel dependence.

**Plastic Bag Ban:** Launched in 2019, this ban aims to mitigate plastic waste, championing the use of reusable bags and promoting a circular economy.

**E-Waste Management Rules 2018:** This regulation ensures the safe disposal of electronic and electrical equipment waste, advocating the recycling and reusing of electronics, thereby fostering a circular economy.



Clean Green Pakistan Campaign: A 2019 initiative to create a greener, cleaner environment, promoting waste reduction, recycling, and renewable energy usage.

National Bio-Economy Policy: An initiative to harness renewable resources and cut down waste, encouraging renewable energy and the use of bio-based products, reducing reliance on fossil fuels and waste creation.

Furthermore, policies such as the National Environmental Policy (NEP) 2005, the National Solid Waste Management Policy (NSWMP) 2010, the Pakistan Environmental Protection Act (EPA) 1997, and the National Action Plan for Climate Change (NAPCC) 2012 promote circular economy practices, including waste minimization, recycling, reuse, energy efficiency, renewable energy use, and sustainable agriculture.

In addition to its domestic benefits, Pakistan's policies and regulations favouring a circular economy create a compelling case for foreign investments.

### 1. Encouraging Sustainable Business Models:

Policies like the National Electric Vehicle Policy 2020 and E-Waste Management Rules 2018 attract foreign investors looking for opportunities in sectors like electric vehicles and electronics recycling.

**2. Incentives for Clean Energy:** The National Bio-Economy Policy and the National Action Plan for Climate Change 2012 provide incentives for investment in clean energy, attracting foreign investors interested in renewable energy projects.

**3. Regulatory Certainty:** Clear and consistent policies such as the Plastic Bag Ban and the National Solid Waste Management Policy provide regulatory certainty for investors, reducing risks associated with regulatory changes.

**4. Demand for Infrastructure:** The need for infrastructure in waste management, recycling, and renewable energy presents investment opportunities for foreign investors.

**5. Potential for Innovation:** The need for solutions to achieve the objectives of these policies can stimulate innovation, inviting foreign investors to participate in backing new products, services, and technologies.

**6. Partnerships for Research and Development:** Policies such as the National Environmental Policy 2005 highlight the need for research and development in sustainability, offering opportunities for foreign investors to collaborate with local institutions, businesses, and government agencies.

However, potential foreign investors must also consider the challenges in the transition to a circular economy in Pakistan, including the need for increased awareness, high initial costs, and the necessity of developing the appropriate infrastructure. With the right strategies and collaborations, these challenges can be turned into opportunities, paving the way for a sustainable and economically viable circular economy in Pakistan.

## 4.6 Investment Opportunities and Potential

This chapter unfolds a vast array of opportunities ripe for Finnish companies' engagement and strategic investment in Pakistan's circular economy. The Pakistani market's circular economy has been generating interest, primarily due to its immense potential in waste management, employment generation, and resource optimization.

The Ellen MacArthur Foundation report points out the key sectors - textiles, food, and construction - as the lowest-hanging fruits, where the potential for circular practices is substantial. Notably, despite being an agricultural economy, Pakistan has yet to unlock its agriculture sector's full potential. Implementing circularity in agriculture could significantly benefit both countries and serve as a catalyst for transformation.

In the textile industry, the transition to a circular economy can be achieved by recycling textile waste, encouraging the production of biodegradable fibers, and promoting sustainable materials usage. The food industry can be revolutionized by reducing food waste, advocating for regenerative agriculture, and creating localized food systems. Similarly, in the construction industry, circularity can be introduced through recycling of building materials, design-for-disassembly concepts, and the promotion of renewable energy sources.

The World Bank's estimate suggests that Pakistan could save up to USD 10 billion annually by adopting circular practices, underscoring the immense economic potential. These savings could be attributed to reduced waste management costs, creation of new jobs, and promotion of sustainable resource utilization. Moreover, implementing

circular practices could contribute to achieving Pakistan's Sustainable Development Goals by mitigating the negative impacts of economic growth on the environment and society. The enticing proposition of investing in Pakistan's circular economy could present lucrative opportunities for Finnish investors. The potential benefits, including waste reduction, employment generation, and resource optimization, are powerful attractions for investors with an inclination towards sustainable investment.

The Pakistani government, too, is fervently promoting circular practices, as demonstrated by initiatives like the Clean Green Pakistan Movement, which aims to foster waste reduction and recycling for a cleaner, greener Pakistan.

In a nutshell, the circular economy in Pakistan unfolds a treasure trove of investment opportunities with far-reaching benefits for the environment, society, and economy. The adoption of circular practices in crucial sectors like textile, food, and construction can lead to significant waste reduction, resource efficiency enhancement, and job creation. This aligns with sustainable development goals, making Pakistan an attractive proposition for investors keen on sustainability.







## 4.7 : Primary Research - Industry Experts Interviews and Insights - Circular Economy

### Interview 1 Summary: Interview with Muneeba Haroon

#### Market Entry Strategies for Foreign Companies in the Circular Economy Sector of Pakistan's Plastics Industry

More than the political landscape, changes in the economic landscape are driving the use of recycled plastics or polymer resins in the country. The country is facing balance of payment issues resulting in lower foreign exchange reserves and import restrictions from the government. Therefore, plastic industry players are moving towards locally produced recycled polymer resins to fulfill their requirements. This trend is expected to continue because of ease of local sourcing and lower prices than virgin resins in Pakistan.

#### Changes in the Political Landscape that May Affect the Circular Economy in Pakistan's Plastics Industry

No written policy or regulation is available in Pakistan promoting circular economy in particular. However, companies are obligated by provincial laws for safe disposal of their production waste. This creates an opportunity for recyclers to venture into recycling various products.

#### Government Policies, Regulations, or Incentives that Support the Circular Economy in Pakistan's Plastics Industry

#### Insights: Circular Economy in Pakistan's Plastics Industry

This interview provides insights into the circular economy in Pakistan's plastics industry. The information gathered here comes from an interview with a company named The

Green Ark (TGA), which is a pioneer in the circular economy ecosystem of Pakistan's plastics industry. The interview touches on the company's experience working in the sector, key trends, challenges, and opportunities, as well as possible market entry strategies for foreign companies interested in investing in or collaborating with Pakistan's plastics industry.

#### Experience in the Circular Economy Sector

TGA is part of a leading plastic/flexible manufacturing group (MACPAC Group) in Pakistan and is currently one of the pioneer companies operating in the organized sector of circular economy. The company is recycling post-industrial polymer waste to manufacture recycled plastic/polymer resins, which are supplied to small and medium-sized enterprises (SMEs) in Pakistan for manufacturing various plastic products to create a circular economy ecosystem.

#### Key Trends, Challenges, and Opportunities in the Circular Economy Sector

##### Challenges

Waste collection and disposal in Pakistan (like other developing economies) is still evolving as a sector and is largely unregulated, which means developing a supply chain for waste sourcing remains challenging.

##### Trends

Corporates (both local Pakistani companies and multinational companies) are now establishing dedicated 'Sustainability'

departments working towards sustainably dispatching industrial wastes to recycling facilities. This creates room for recyclers of various products, not just plastics.

##### Opportunities

Import restrictions in Pakistan have created a gap in the market for raw materials availability, especially for SMEs operating in the polymer sector. Therefore, there is growing demand for the use of recycled polymers in the market.

##### Competitors or Key Players in the Circular Economy Sector

Standards Textiles Limited is the competitor in the plastic recycling sector, whereas there are other micro-processing companies converting plastic waste into recycled resins but operating in the unorganized sector of the economy.

Based on TGA's industry experience as a leading plastics recycling company (which is also part of a leading industrial group), the best route to entry is through a partnership with a local player already operating in the circular economy value chain of Pakistan.

A reliable partner will help in addressing regulatory concerns of authorities and sorting out supply chain issues that may exist in the sector (as it is still mostly unregulated). Specific Tax Incentives, Legal Incentives, or Other Benefits that Could Be Offered to Foreign Companies in the Circular Economy Sector of Pakistan's Plastics Industry No tax incentives are specifically designed for companies involved in the circular economy. However, the Investment Policy enacted in 2013 by the Federal Government of Pakistan offers significant advantages on green field projects to foreign investors.

Segments within the Circular Economy of the Plastics Industry that Have the Potential to Create Employment Opportunities for Women or Establish Connections with Women-Led Businesses in Finland and Pakistan At TGA, women are already working in sales, finance, quality assurance, and product designing. The company believes that female entrepreneurs in Pakistan and Finland can engage in setting up businesses of supply products like bags, rugs, baskets, and other daily use products to leading global brands, which are manufactured by recycled plastic (our company is already working on this value chain).

In conclusion, the circular economy in Pakistan's plastics industry has significant potential for growth and presents numerous opportunities for foreign companies to invest in or collaborate with local players. However, the sector is still largely unregulated, which means that supply chain and waste sourcing challenges remain. Nevertheless, the sector is evolving, and companies are making efforts to establish sustainable waste management practices.

### Interview 1 Summary: Interview with Muneeba Haroon

#### Summary of Circular Economy in Pakistan's Plastics Industry

##### Introduction

This Interview presents a summary of a conversation with Fahd Khwaja, the Sustainability Lead for Circular Plastics at Engro Polymers, on the circular economy in Pakistan's plastics industry. The interview includes insights on past experiences, challenges, opportunities, key players, government policies, and market entry strategies.





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## Past Experience

Fahd Khwaja categorized his past experience in the circular economy sector in Pakistan's plastics industry as "emerging/just starting". His experience was mainly focused on building a knowledge base, experimenting with pilot projects, and collaborating with recycling companies for sustainable investments.

## Key Trends, Challenges, and Opportunities

Pakistan's main challenge in the plastics industry is managing plastic waste or poor waste management practices. The challenge is to develop a supply chain from the point where waste is generated until it is collected, segregated, transported, and recycled or disposed of properly. Another challenge is investment in infrastructure and manpower required to build the supply chain. However, there are opportunities for private sector companies to play their part in developing infrastructure, waste management supply chain, and recycling as more and more companies at a global level are moving towards waste and plastic recycling.

## Key Players

CoRE Alliance is a platform where major private sector companies are members. They discuss various initiatives to tackle the problem of poor waste management practices but we have hardly seen any major initiative coming out of it. The Greek Ark (TGA) is another private sector recycling company doing good work in recycling waste and producing recycled resin and products.

## Government Policies, Regulations, and Incentives

The Ministry of Climate Change in the previous government was very active in working towards a circular economy and was working to establish policies and regulations but it remained unfinished due to a change in the political scenario in Pakistan. There are no specific tax incentives, legal incentives, or other benefits that could be offered to Finnish companies entering the Pakistani market in the circular economy sector of the plastics industry.

## Market Entry Strategies

Fahd Khwaja suggests that Finnish companies interested in investing or collaborating within the circular economy sector of the plastics industry in Pakistan should collaborate with an organization that has a global presence and is serious about working towards this initiative. Developing a joint venture and getting that organization to invest will ensure that they also have their skin in the game. Involving government stakeholders from both countries and introducing best practices from their experience can help with market entry. Introducing technology for recycling and waste collection and collaborating with IFC can also be a good value addition.

## Employment Opportunities for Women

A lot of companies are working on sustainability initiatives in the textile, packaging, and agriculture sectors where we can create employment opportunities for women as well as give them skill-based training.

## Conclusion

The circular economy in Pakistan's plastics industry is in its early stages, with many opportunities for private sector companies to develop infrastructure, waste management supply chain, and recycling. Collaboration with organizations that have a global presence, involvement of government stakeholders, and introduction of best practices and technology can help with market entry. There is also potential for creating employment opportunities for women in sustainability initiatives in various sectors.



# Information Technology

## 5.1 Overview of the information technology sector in Pakistan

Pakistan's Information Technology (IT) sector is in an exciting phase of rapid growth and expansion, positioning it as a promising sector teeming with immense potential for future advancements. The Ministry of Information Technology of the Government of Pakistan plays a crucial role in monitoring and regulating this industry. Despite economic challenges, the sector has consistently demonstrated its economic vigour and resilience.

The government approved the first IT policy and implementation strategy in August 2000, laying the foundation stone for this sector's development. Over the past decade, the government has offered numerous incentives to IT investors, leading to significant growth in IT exports, startups, and freelance work. Atta-ur-Rahman's efforts between 2000-2008 played a significant role in setting the stage for the burgeoning IT and telecom industry.

Today, Pakistan's IT infrastructure is impressive. As of 2021, the country's teledensity rate stands at 85%, with 184 million cellular subscribers, 100 million 3G/4G subscribers, and 104 million broadband subscribers. This has placed Pakistan among the top-ranked countries in terms of internet penetration.

A significant factor behind the industry's success is Pakistan's skilled IT workforce, with a rising number of graduates specializing in computer science and related disciplines. The combination of this rich talent pool, high-speed internet, and the integration of cutting-edge technologies has created an ideal environment for IT businesses to thrive and draw foreign investments.

Pakistan's IT industry is experiencing rapid growth with increasing demand for domestic and global IT services and products. ICT export remittances escalated to US\$ 2.61 billion in FY 2021-22, a 24% growth rate compared to US\$2.1 billion during FY 2020-21. These figures include telecommunication, computer, and information services. In the past five years, IT & ITes exports have witnessed an exceptional growth of 178% at a compound annual growth rate (CAGR) of 30%, higher than all other local industries in Services, surpassing the textile sector.

The IT industry's revenue reached a record \$2.6 Billion in the fiscal year 2021-2022. Furthermore, freelancers and micro-enterprises contributed approximately \$500 million to IT and ITES exports, with annual domestic revenue exceeding \$1 billion.

According to the State Bank of Pakistan, IT exports saw a tremendous surge by 47.4% during the fiscal year 2020-2021, exceeding the \$2b mark for the first time in the country's history.

The IT/ITes firms and freelancers are granted the right to maintain 100% of the revenue received via proper banking channels in their Foreign Currency Accounts (FCY) without necessitating conversion to rupees. Furthermore, outward transactions from FCY accounts are unrestricted for Pakistan Software Export Board-registered freelancers and IT companies.

The IT industry, accounting for over 1% of Pakistan's GDP, provides employment to



hundreds of thousands of people across diverse sectors such as education, telecommunications, banking, and healthcare. In 2018, Google recognized Pakistan's swift transformation into a "digital-first country," and it now ranks 4th in the Top 10 Countries of Freelancers globally.

Several large IT companies, including Careem, Daraz, and Airlift, have made Pakistan their home. The acquisition of Daraz and Easypaisa by Chinese giant Ali Baba is a testament to Pakistan's ability to attract significant business and investment. With strong government support, skilled entrepreneurs, and a proficient workforce, Pakistan's IT industry has been a beacon of growth in the country's economy, exhibiting consistent year-on-year growth.

## 5.2 Analysis of the Demand and Supply of IT Services and Products in Pakistan

The demand and supply of IT services and products in Pakistan are influenced by various factors, such as the digital transformation of various sectors, government initiatives, e-commerce expansion, and the startup culture. In this section, we will analyze the current and projected demand and supply of IT services and products in Pakistan, based on the available data and reports.

According to the Pakistan Software Export Board (PSEB), the IT industry in Pakistan has been growing at an average annual rate of 40% for the last three years. IT exports reached \$1.23 billion in 2020-21, up from \$0.99 billion in 2019-20. The PSEB estimates that the exports will reach \$5 billion by 2023. The main export destinations for Pakistani IT

services and products are the US, UK, UAE, Canada, Australia, and Europe.

### Demand for IT services and products

The demand for IT services and products in Pakistan is driven by both domestic and international markets.

#### Domestic Market:

The domestic market in Pakistan comprises several sectors that play a significant role in driving the demand for IT services and products. These sectors include the public sector, financial sector, telecom sector, education sector, and e-commerce sector.

- The public sector is a major consumer of IT services and products in Pakistan. It recognizes the potential of digitalization to improve governance, enhance service delivery, ensure transparency, and increase efficiency. By adopting IT solutions, the public sector aims to transform its operations and provide better services to the citizens.
- The financial sector is another significant user of IT services and products. This sector seeks to enhance the customer experience, strengthen security measures, ensure regulatory compliance, and foster innovation through digital solutions. It plays a vital role in enabling online banking, secure transactions, digital payments, and other financial services.
- The telecom sector, as a crucial component of the digital economy, heavily relies on IT services and products. It provides the necessary infrastructure and connectivity for various industries and individuals to participate in the digital ecosystem.



The telecom sector's demand for IT services and products is driven by the need to expand network coverage, improve network quality, and offer innovative services.

- The education sector in Pakistan is increasingly embracing IT services and products to enhance the quality and accessibility of education. Online learning platforms, digital content, and smart classrooms are being adopted to improve the learning experience for students and provide access to education in remote areas. IT solutions in education are aimed at bridging the gap and bringing quality education to a wider audience.

- The e-commerce sector is experiencing rapid growth in Pakistan, and IT services and products are integral to its success. Online platforms for buying and selling goods and services are gaining popularity, providing convenience and accessibility to consumers. The e-commerce sector relies on IT infrastructure, secure payment gateways, and user-friendly interfaces to facilitate transactions and promote growth.





### International Market:

The international market for IT services and products in Pakistan is mainly composed of outsourcing and offshoring opportunities. Pakistan has a large pool of skilled and talented IT professionals who can provide quality and cost-effective solutions to global clients.

According to a report by Gartner, Pakistan is among the top 10 emerging markets for IT outsourcing in 2021. The main areas of expertise for Pakistani IT service providers are software development, web development, mobile app development, cloud computing, cybersecurity, data analytics, artificial intelligence (AI), blockchain, the Internet of Things (IoT), gaming, animation, and digital marketing.

Supply of IT services and products  
The supply of IT services and products in Pakistan is mainly dependent on the availability and quality of human resources, infrastructure, innovation ecosystem, and policy environment. According to the PSEB, there are over 20,000 registered IT companies in Pakistan that employ over 300,000 IT professionals. The number of IT graduates in Pakistan is estimated at over 25,000 per year. However, there is still a gap between the demand and supply of skilled IT workers in Pakistan.

According to a report by Gallup Pakistan and P@SHA (Pakistan Software Houses Associa-

tion), 76% of IT employers in Pakistan face difficulties in hiring qualified IT staff. The main challenges are the lack of relevant skills (48%), lack of experience (36%), high salary expectations (28%), and high turnover rates (24%).

The infrastructure for IT services and products in Pakistan is also improving but still faces some challenges. According to the World Bank's Digital Adoption Index (DAI), Pakistan ranks 120th out of 180 countries in terms of digital infrastructure development.

The main indicators for digital infrastructure are internet access (fixed broadband subscriptions per 100 people), mobile access (mobile cellular subscriptions per 100 people), internet usage (percentage of individuals using the internet), mobile access (mobile cellular subscriptions per 100 people), internet usage (percentage of individuals using the internet), and mobile payments (mobile money account ownership among adults). According to the DAI, Pakistan scores below the average of its income group and region on all these indicators.

By addressing the challenges related to the supply of skilled IT workers and fostering a supportive ecosystem, Pakistan can further strengthen its position as a competitive provider of IT services and products both domestically and internationally.

## 5.3 Market Size, Key Players, and Market Competition

In this section, it will estimate the market size of the IT sector in Pakistan based on the value of IT exports and imports, as well as the domestic consumption of IT services and products. We will also identify and analyze the key players in the IT sector in Pakistan according to four segments: telecom operators, IT equipment vendors, IT service providers, and IT startups. Finally, we will assess the level and nature of competition in the IT sector in Pakistan and its implications for the trade potential with Finland.

### I. Market Size

Evaluation of IT Exports, Imports, and Domestic Consumption

The market magnitude of the IT sector in Pakistan can be comprehensively analyzed by assessing the value of IT exports and imports, in addition to the domestic consumption of IT services and products. The State Bank of Pakistan reports that Pakistan's IT exports reached \$2.62 billion in FY 2022, an impressive 47% growth from the prior year. Meanwhile, IT imports stood at \$1.67 billion in the same fiscal year, marking a 26% increase from the previous year. The trade surplus of the IT sector soared to \$0.95 billion in FY 2022, an exceptional growth of 94% from the preceding year.

A measure of the domestic consumption of IT services and products can be gauged by examining the number of broadband subscribers, smartphone users, and the value of e-commerce transactions in Pakistan. As per the Pakistan Telecommunication Authority, the number of broadband subscribers in Pakistan hit 110 million in June 2022, indicating an 18% growth from the previous year. Furthermore, smartphone users in Pakistan

grew to 83 million in June 2022, reflecting a 16% growth from the previous year. Meanwhile, e-commerce transactions in Pakistan amounted to a remarkable \$1.2 billion in FY 2022, marking a 33% increase from the preceding year.

### 2. Dynamics of the IT Market and Key Players

Taking these indicators into account, the IT market size in Pakistan for FY 2022 can be roughly estimated at a substantial \$5 billion. Given the continuous adoption of digital technologies, the government's focus on digital transformation, and the growth of e-commerce and other online platforms, this upward trajectory is projected to continue.

Several key players are making their mark in Pakistan's IT industry, both on a local and multinational scale. Prominent IT companies in Pakistan include Systems Limited, Netsol Technologies, TRG Pakistan, Teradata, and Oracle, providing a broad array of IT services from software development and IT outsourcing to digital marketing and IT consulting.

As competition heats up, new startups and companies are continually emerging in Pakistan's IT industry. The country faces global competition from major IT players like India, China, and the Philippines. However, Pakistan's significant advantages, such as a large pool of skilled IT professionals, competitive labour costs, and government policies favouring the IT industry, ensure its competitiveness on the international stage.



## 5.3 Market Size, Key Players, and Market Competition

### 3. The Global Reach of Pakistan's IT & ITeS Industry and Its Collaboration with Multinational Giants

Pakistan's IT & ITeS industry extends its services to over 170 countries and territories, with the USA being the largest market accounting for 57% of export remittances receipts. Kearney's Global Services Location Index ranks Pakistan as the 2nd most financially attractive IT & ITeS outsourcing destination in the world, with the International Labor Organization (ILO) ranking it as the 3rd largest supplier of digital labour. Over 19,000 IT & ITeS companies are registered with the Securities and Exchange Commission of Pakistan (SECP), and both domestic and export-oriented enterprises are widespread across 160 cities. Pakistani ICT companies offer a wide range of products and services to some of the world's largest companies, boasting advanced development in the latest technologies.

With a notably young workforce and a high proportion of women in technical, managerial, and executive-level positions, Pakistan's ICT industry is vibrant and diverse. Its startup ecosystem has seen rapid growth, with significant investments pouring into successful startups like Bykea, Careem, and Daraz. According to invest2innovate, Pakistani startups received a significant \$355 million during the year 2022 through 57 deals.

In expanding the perspective on the IT market size in Pakistan, it is crucial to acknowledge the significant contributions made by Pakistani ICT companies to global industry giants. These entities offer a wide array of products and services, reflecting Pakistan's leading-edge development in

cutting-edge technologies. Moreover, multiple large IT firms, including renowned multinational tech corporations, have set up research and development centres within Pakistan.

Esteemed global enterprises, including Bentley®, Ciklum®, IBM®, Mentor Graphics®, S&P Global®, Symantec®, Teradata®, and VMware®, have chosen Pakistan as their operational hub, testifying to the nation's rising stature in the global IT arena. These established partnerships not only augment Pakistan's IT market size but also signify the country's potential and credibility in the international IT landscape.

This collaboration with multinational tech giants further emphasizes the robustness of Pakistan's IT market and its capacity to compete globally. The presence of these international companies also facilitates the transfer of knowledge and technology, fostering innovation and skill development within Pakistan's IT sector. This dynamic, in turn, is likely to have a positive influence on the growth and expansion of the country's IT market size in the future.

### II. Key Players

The key players in the IT sector in Pakistan can be categorized into the following segments: telecom operators, IT equipment vendors, IT service providers, and IT startups.

**•Telecom operators:** These are the companies that provide cellular and broadband services to consumers

and businesses. The major telecom operators in Pakistan are Jazz, Telenor, Zong, and Ufone. Jazz is the market leader with a 38% share of cellular subscribers and a 36% share of broadband subscribers as of June 2022. Telenor is the second-largest operator with a 27% share of cellular subscribers and a 28% share of broadband subscribers as of June 2022. Zong is the third-largest operator with a 22% share of cellular subscribers and a 25% share of broadband subscribers as of June 2022. Ufone is the fourth-largest operator with a 13% share of cellular subscribers and an 11% share of broadband subscribers as of June 2022.

**•IT equipment vendors:** These are the companies that supply telecom infrastructure and devices to the market. The major IT equipment vendors in Pakistan are ZTE, Huawei, Nokia, Samsung, and Apple. ZTE and Huawei are the leading suppliers of telecom infrastructure such as base stations, switches, routers, and fibre-optic cables to telecom operators. Nokia is also a prominent supplier of telecom infrastructure as well as mobile devices such as feature phones and

smartphones. Samsung and Apple are the leading suppliers of smartphones to the market, with Samsung having a 40% share and Apple having a 15% share of smartphone shipments in Pakistan as of Q1 2022.

**•IT startups:** These are the companies that offer innovative solutions in various domains such as transportation, e-commerce, fintech, and digital payments. The major IT startups in Pakistan are Airlift, Bykea, Daraz.pk, EasyPaisa, and JazzCash. Airlift and Bykea are app-based platforms that provide ride-hailing and delivery services. Daraz.pk is an online marketplace that connects buyers and sellers of various products. EasyPaisa and JazzCash are mobile wallet services that enable users to make and receive payments through their phones.

### III. Market Competition

The market competition in the IT sector in Pakistan is intense and dynamic.

#### Telecom operators

The telecom operators compete with each other on the basis of price, quality, coverage, and value-added services

#### IT equipment vendors

The IT equipment vendors compete with each other on the basis of technology, innovation, brand recognition, and customer loyalty.

#### IT service providers

The IT service providers compete with each other on the basis of expertise, quality, cost, and customer satisfaction.

#### IT start-ups

The IT start-ups compete with each other on the basis of innovation, scalability, user experience, and market share.



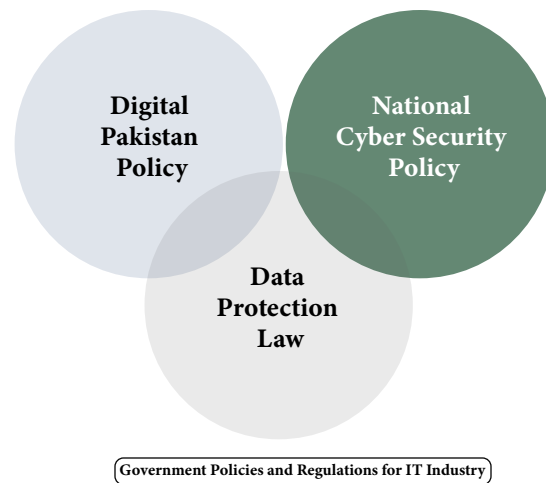
The Information Technology (IT) sector is a dynamic realm with competition inherently influenced by a confluence of external factors such as global trends, evolving customer preferences, regulatory shifts, and emerging security threats.

This rivalry within the IT industry has direct repercussions on potential trade relations between Pakistan and Finland. On the positive side, this competitive landscape can give rise to avenues for collaboration and strategic partnerships among IT entities in both nations. For instance, Pakistani telecom operators could potentially collaborate with Finnish telecom equipment vendors, like Nokia, to enhance their network infrastructure, thereby delivering superior services to their customers. Similarly, Pakistani IT service providers might seek alliances with Finnish counterparts such as TietoEVERY, to deliver innovative, joint solutions to their clients.

However, this competition can also erect significant hurdles and barriers for trade among IT entities from both nations. Pakistani telecom operators, for instance, might confront regulatory constraints or encounter market resistance while attempting to penetrate the Finnish market and vice versa. Pakistani IT equipment vendors may grapple with quality assurance or compatibility concerns when marketing their products to Finnish customers, or similarly, when Finnish manufacturers try to penetrate the Pakistani market. Furthermore, Pakistani IT service providers could confront skill or cost disparities when vying with Finnish service providers, and vice versa.

## 5.4 Government Policies and Regulations

The Government of Pakistan on both federal and provincial levels places a high priority on developing the IT industry, including the software development sector. According to Pakistan Software Export Board (PSEB), the government has launched several policies to encourage local and foreign companies to invest in Pakistan. Some of these policies are:



### •Digital Pakistan Policy:

This policy aims to create a digital ecosystem that supports innovation, entrepreneurship, and inclusion. It covers various aspects such as infrastructure development, e-government, IT education and skills, IT industry promotion, digital inclusion, and cyber security. The policy also provides incentives for IT companies such as tax exemptions, duty-free import of equipment, subsidized land and infrastructure, and access to venture capital funds. The policy envisions Pakistan as a global player in the digital economy and a leading exporter of IT products and services.

In 2018, the country approved its first 'Digital Pakistan policy'. The ambitious policy contains several incentives aimed to bolster investment by the IT companies and to build infrastructure and institutional frameworks required to run a digital ecosystem.

| ACCESS & CONNECTIVITY  | DIGITAL INFRASTRUCTURE  | E-GOVERNMENT  | DIGITAL SKILLS AND TRAINING   | INNOVATION & ENTREPRENEURSHIP  |
|--|---|---|---|--|
| <ul style="list-style-type: none"> <li>• Low cost devices</li> <li>• Internet access</li> <li>• Affordability of data</li> <li>• Taxation of broadband internet</li> </ul> | <ul style="list-style-type: none"> <li>• Regulations and mechanisms for digital economy</li> <li>• Identity systems</li> <li>• Payment solutions</li> </ul> | <ul style="list-style-type: none"> <li>• Paperless procurement</li> <li>• Easy sharing of data within depts</li> <li>• Interlink/expand govt resources</li> </ul> | <ul style="list-style-type: none"> <li>• Technical skills</li> <li>• Bootcamps, vocational opportunities</li> <li>• Digital literacy</li> </ul> | <ul style="list-style-type: none"> <li>• Enable startup ecosystem</li> <li>• Ease of business</li> </ul> |

Source: Tanila Aidrus

### •National Cyber Security Policy:

This policy provides a comprehensive framework for ensuring the security and resilience of Pakistan's cyberspace. It covers various domains such as cyber governance, active defense, protection of internet-based services, critical information infrastructure, government information systems, public-private partnerships, cyber security research and development, and capacity building, awareness, global cooperation and collaboration, cybercrime response mechanism, regulations, trust in digital transactions, and risk management. The policy also establishes a Cyber Governance Policy Committee (CGPC) to provide strategic oversight and policy formulation for cyber security issues. The policy aims to protect Pakistan's national interests and sovereignty in cyberspace and foster a culture of cyber security among all stakeholders.

### •Data Protection Law:

This law is currently under development and aims to provide a legal basis for the

protection of personal data in Pakistan. It will cover common issues such as relevant legislation and competent authorities, territorial scope, key principles, individual rights, registration formalities, the appointment of a data protection officer and processors. The law will also define the obligations and responsibilities of data controllers and processors, as well as the penalties for non-compliance. The law will help to ensure the privacy and security of personal data and promote trust in digital transactions.

These policies and regulations are expected to create a conducive environment for the growth and development of the IT sector in Pakistan. They will also help to address the challenges and risks posed by evolving cyber threats and ensure the protection of data privacy and security. Moreover, they will facilitate the trade potential between Pakistan and Finland by creating a level playing field for IT companies and enhancing the quality and competitiveness of IT products and services.





## 5.5 Subsectors in IT and their Potential:

The IT sector in Pakistan offers a range of investment opportunities across various domains. Some of the prominent areas with significant potential include:

### •AgriTech:

Pakistan's agritech sector is ripe with opportunities, underpinned by the country's robust agricultural backbone and an increasing propensity towards technological advancement. With the burgeoning digital revolution, new technologies such as Artificial Intelligence, the Internet of Things, and digital platforms are finding their place in the agriculture industry. The sector offers a plethora of potential for Finnish investors and businesses, which can not only yield substantial returns but also contribute to improving farming practices, increasing efficiency, and potentially revolutionizing the agricultural landscape in Pakistan.

It is important to understand which stakeholders govern and influence the development and growth of this sector:





| Organization  | Role  | Key Initiatives   | Impact  |
|---|---|---|---|
| Provincial Governments                                  | Responsible for policy implementation and service delivery in agriculture                                   | Varies by province  | Direct implementation and service delivery in agriculture   |
| Ministry of National Food Security and Research (MNFSR) | The regulatory body for agriculture, coordinating policy formulation, economic coordination, etc.           | National Food Security Policy 2018, aiming for 4% agriculture growth            | Policy regulation and coordination at a national level  |
| State Bank of Pakistan                                  | Regulates agriculture financing, provides and directs the use of subsidised credit                          | National Financial Inclusion Strategy (NFIS) 2015-2023, Renewable Energy Scheme | Regulation and subsidization of agriculture financing   |
| Securities and Exchange Commission of Pakistan (SECP)   | Regulates insurance companies, and non-banking financial companies, and oversees venture capital investment | Regulatory Sandbox Guidelines, Electronic Warehouse Receipt Financing           | Enables Agritech through insurance regulation, oversight of non-banking financial companies, and venture capital investment |








|  |  |   |   |
|--|--|---|---|
| Ministry of Planning, Development & Reforms  | Policy formulation and planning  | Agriculture Transformation Plan (ATP) Vision 2025   | Aims for digital interventions in agriculture, but limited in scope   |
| Federal Schemes (Kamyab Kissan and Kissan Portal)                                  | Providing support to farmers through micro-loans and a complaint resolution platform | Interest-free micro-loans to farmers, an App-based platform for farmers                         | Direct support to farmers, however, the reach and efficacy are variable   |
| Punjab Government (and PITB)   | Promotes agricultural innovation and technology                                      | Punjab's Agriculture Policy 2018, e-Credit solution, Mandi mobile app, PITB's Kisan Card Scheme | Digitalisation and tech solutions in agriculture, with high attention towards innovation  |
| Private Sector (e.g., Telenor Pakistan, Telenor Microfinance Bank, other startups) | Creating and scaling AgriTech solutions  | Connected Agriculture Punjab Package, Easypaisa's mobile money platform                         | Spurred growth in Pakistan's AgriTech through innovative solutions. Increase in local and international investment (over USD 350 million in 2021 alone). Startups such as Tazah and Easy-Fresh gaining traction. However, compared to other sectors like FinTech and e-commerce, AgriTech funding has a long way to go. |











Some case examples of the agritech sector in Pakistan are as forth:

| Sr. No | Agri-tech Startup   | Description  | Website Link  |
|--------|---|--|---|
| 01     |    | Crop2X is redefining the agriculture industry of Pakistan by developing controlled and large-scale agriculture facilities. Their services include crop monitoring solutions through latest sensor technology & data collection systems.  | <a href="https://crop2x.com/">https://crop2x.com/</a>   |
| 02     |    | Aether does a simple job, they grow affordable and nutritious food for everyone. They use soilless agriculture and, some AI and Robots which are built in house and any horizontal space which can fit a bunch of plants and generate yields likes of which are unheard of in Pakistan   | <a href="https://www.linkedin.com/company/growwithaether/">https://www.linkedin.com/company/growwithaether/</a> |
| 03     |  | They establish an engineering firm that provides cutting-edge facilities to local industries, especially the agriculture and aviation sectors, through a combination of evolving technologies.   | <a href="https://zssglobal.com/">https://zssglobal.com/</a>   |
| 04     |  | Spurt International is specializes in the planning and implementation of agricultural turnkey projects and providing consultancy services for the purpose of increasing the productivity and profitability by adopting technology-based solutions for green houses, tunnel farming, hydroponic farming, structure farming and field crops. | <a href="https://www.facebook.com/spurtinternational/">https://www.facebook.com/spurtinternational/</a>         |









|    |   |  |   |
|----|---|--|---|
| 05 |    | Radical Growth Solution's combination of hardware and software collects real-time data from the field then processes it through a proprietary algorithm and delivers an action plan directly to farmers based on the current situation in the field. | <a href="https://www.radical-growth.solutions/about">https://www.radical-growth.solutions/about</a> |
| 06 |    | Agri Education Services provide research and consultancy in affordable advance indigenous farm technology, climate adoptive management and naturally sustainable farm solutions for socioeconomic development of farmers.                            | <a href="https://www.radical-growth.solutions/about">https://www.radical-growth.solutions/about</a> |
| 07 |  | AgriDunya Technologies Pvt. Ltd is an AgriTech platform which is providing Agri Inputs to Farmers at their doorsteps with a quality. They function by means of with over 12500 registered.   | <a href="https://www.facebook.com/agridunya/">https://www.facebook.com/agridunya/</a>               |
| 08 |  | Fresh Factor is an AgriTech startup enabling urban farming inclusion in the economic cycle and adding value in the country's GDP.  | <a href="https://www.fresh-factor.com/">https://www.fresh-factor.com/</a>                           |
| 09 |  | A Satellite-based complete online solutions (PaaS & SaaS) for agriculture, water & risk management.  | <a href="https://infarmer.io/">https://infarmer.io/</a>   |





|    |   |   |   |    |   |  |   |
|----|---|---|---|----|---|--|---|
| 05 |    | A B2B Platform that connects Agri Input Manufacturers to Buyers.  | <a href="https://www.zamin-dartech.com/">https://www.zamin-dartech.com/</a> | 05 |    | FarmDar gives you the power of precision agriculture, by providing accurate data on your crops. If you're a farmer, our data can help you monitor your crops remotely, reduce farming costs, increase yield and reduce waste. For large agri-businesses, we can tell you the exact acreage and geo-coordinates of your desired crops across hundreds of kilometers, their sowing time, weekly harvest monitoring and even the variety. | <a href="https://farmdar.pk/">https://farmdar.pk/</a>                 |
| 06 |    | Smart non-invasive neck collars monitor temperature, activity & behavior of each individual cow. Our actionable recommendations help significantly improve income on dairy farms.   | <a href="https://www.dairy.cowlar.com/">https://www.dairy.cowlar.com/</a>   | 06 |   |  |   |
| 07 |   | Poulta is at the forefront of digitizing vertically integrated Smart Poultry Farming, revolutionizing farm management by consolidating all tasks and applications into a single software and database. Our pioneering technological device system leverages smart technologies like IoT, big data, and cloud storage to generate real-time data, enabling comprehensive monitoring and complete control over the entire farming system. | <a href="https://poulta.com/">https://poulta.com/</a>                       | 07 |    | SAWIE is a platform that provides a distributed network of agricultural monitoring in Pakistan. Our system combines geospatial data with the power of machine learning and IOT to provide smart and sustainable solutions to farmers.  | <a href="https://sawie.net/">https://sawie.net/</a>                   |
| 08 |  | RemoteWell is an advanced technology to remotely-control and monitor water, air, temperature & soil conditions to provide access to data-driven digital farming solutions   | <a href="https://remotewell.pk/">https://remotewell.pk/</a>                 | 08 |  | One Stop-Agri Data Shop. Make decisions strategically through pricing mechanisms, reports, data analysis and commentary.   | <a href="https://www.par.com.pk/">https://www.par.com.pk/</a>         |
| 09 |   |   |   | 09 |  | Get weather forecast, farm satellite, expert advice to improve productivity and profit. Provide better price, risk and access to financial services for farmers through analytics and models   | <a href="https://www.web.ricult.com/">https://www.web.ricult.com/</a> |



|    |   |   |  |    |   |   |  |
|----|---|---|--|----|---|---|--|
| 05 |    | <p>BaKhabar Kissan is Pakistan's leading AgriTech. Farmers are at the core of our business. BKK takes a holistic approach to enable farmers make data driven decisions. We cater both production and market/-sales related issues that exist in the Agri value chain. We not only provide crop, livestock, weather, mandi rates, remote sensing based advisory to farmers, but also connect them to consumers and business.</p> | <p><a href="https://bakhabarkissan.com/">https://bakhabarkissan.com/</a></p> | 05 |    | <p>FarmDar gives you the power of precision agriculture, by providing accurate data on your crops. If you're a farmer, our data can help you monitor your crops remotely, reduce farming costs, increase yield and reduce waste. For large agri-businesses, we can tell you the exact acreage and geo-coordinates of your desired crops across hundreds of kilometers, their sowing time, weekly harvest monitoring and even the variety.</p> | <p><a href="https://farmdar.pk/">https://farmdar.pk/</a></p>           |
| 06 |    | <p>Our focus is on catering to the comfort and ease of our customers and ensuring they enjoy fresh fruits and vegetables. At Farm to Home, from the sourcing of the product, its purchasing, packaging and delivery are all done in house. We supervise your order from start to finish, making quality checks and thorough inspections before we deliver with caution and experience to our customers.</p>                     | <p><a href="https://farmtohome.com.pk/">https://farmtohome.com.pk/</a></p>   | 06 |    | <p>At Farmette, we specialize in providing fresh and organic vegetables directly from the farm to your doorstep. Our team is dedicated to ensuring that our produce is grown using sustainable farming practices and without the use of harmful pesticides or chemicals. We believe in the importance of supporting local agriculture and connecting our customers with the freshest, healthiest produce available.</p>                       | <p><a href="https://sawie.net/">https://sawie.net/</a></p>             |
| 07 |  | <p>Tazah Technologies is building products to digitize the agriculture value chain, empowering farmers, suppliers, and retailers to grow their businesses.</p>  | <p><a href="https://www.tazahtech.com/">https://www.tazahtech.com/</a></p>   | 07 |  | <p>At Jiye, we leverage tech, build partnerships &amp; create on-ground networks, enabling access to agri products &amp; services, consequently allowing farmers to maximize productivity &amp; profitability</p>   | <p><a href="https://www.jiyetech.co/">https://www.jiyetech.co/</a></p> |
| 08 |   |   |  | 08 |   |   |  |
| 09 |   |   |  | 09 |   |   |  |



|    |  |   |   |
|----|--|---|---|
| 10 |   | Concave AGRI is a venture of The Lakson Group, aiming to revitalize the entire agriculture ecosystem of Pakistan. A team of business, technical, and agriculture experts have been brought on board to devise a system that can introduce and implement modern technologies and practices in Pakistan. Our mission is to become the largest one-stop channel to provide end-to-end solutions to farmers and significantly improve their economic situation. Our vision is to offer internationally competitive agriculture solutions to meet food security challenges worldwide and domestically. | <a href="https://concaveagri.com/about-us/">https://concaveagri.com/about-us/</a>                 |
| 11 |  |   |   |
| 12 |  | We are a tech-enabled agri-fintech that connects farmers and retailers with banks and agri-businesses to maximize crop yields and profitability through aggregation and end-to-end engagement.  | <a href="https://www.fasalpay.com/#comp-l2eo-4v0m1">https://www.fasalpay.com/#comp-l2eo-4v0m1</a> |

The following are the concrete opportunities Finnish investors and businesses can tap into:

| S.no | AgriTech Sector                         | Opportunities for Finnish Investors  |
|------|---|--|
| 01   | Agricultural Digital Financial Services | Investing in these services could provide Finnish businesses with access to a vast market of unbanked farmers needing digital financial services. They would also be part of a system offering improved financial inclusion and efficiency. In the long run, it could lead to better credit access, risk management, and overall growth in the farming sector. |

| S.no | AgriTech Sector           | Opportunities for Finnish Investors  |
|------|---------------------------|--|
| 02   | Digital Procurement       | Finnish investors have the opportunity to leverage the burgeoning demand for transparent and efficient procurement processes in Pakistan's agriculture sector. The implementation of digital procurement solutions could also contribute to better record-keeping, increased trust and security, and improved efficiency across the agricultural value chain.  |
| 03   | Digital Advisory Services | Investing in digital advisory services could empower Finnish businesses to bridge the information gap faced by farmers in Pakistan, providing them with valuable insights and data. Additionally, it presents an opportunity to utilize cutting-edge AI and big data technologies, driving innovation while contributing to the development of more sustainable farming practices.   |
| 04   | Agricultural E-Commerce   | Investing in agricultural e-commerce platforms provides Finnish investors with an opportunity to tap into a thriving online marketplace, facilitating trade across the agricultural value chain. It allows farmers direct access to markets, reducing reliance on intermediaries and potentially boosting profits, thus contributing to the overall growth of the agriculture sector.  |
| 05   | Smart Farming             | Investment in smart farming offers Finnish investors a chance to be at the forefront of a technological revolution in Pakistan's agricultural sector. It can lead to the optimization of productivity, improved decision-making, and cost reduction in farming operations. Also, it allows businesses to utilize and contribute to the development of advanced technologies like IoT and AI, positioning them as leaders in the evolving agritech landscape. |



**•FinTech:**

Pakistan's fintech sector is poised for significant growth and transformation, buoyed by increasing smartphone and internet penetration, supportive government policies, and robust regulatory support. The market potential for digital financial services in the country is projected to exceed \$36 billion by 2025, providing a substantial boost to the GDP and generating millions of new jobs.

As per the Federation of Pakistan Chambers of Commerce and Industry, Pakistan is home to about 269 fintech startups, many of which are thriving. These startups have managed to raise considerable capital - a testament to their success and the sector's potential. For instance, in 2021, 83 Pakistani startups managed to raise \$350 million.

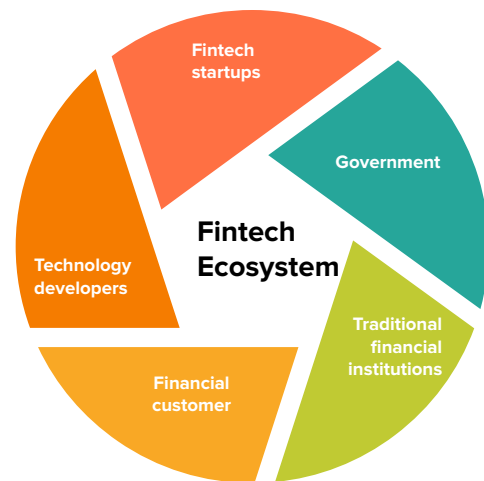
The COVID-19 pandemic has further catalyzed digitalization in Pakistan, with the fintech industry leading the charge. High-bandwidth (3G/4G) penetration has surpassed 43% and mobile penetration has exceeded 77%, expected to double by 2024. These developments have turned Pakistan into a hotspot for fintech transformation.

Several fintech platforms have experienced substantial growth. Easypaisa, for instance, managed a throughput of PKR 1.7 trillion in the first half of 2022, marking a significant increase from the previous year. Payments app NayaPay, which originally focused on the student and freelancer market, raised \$13 million in a seed round after obtaining a license from the State Bank of Pakistan.

The State Bank of Pakistan has been a progressive regulator, fostering a financial ecosystem that encourages innovation. Recent initiatives include the "Customers' Digital Onboarding Framework" for banks, aimed at simplifying the account opening

process through digital channels. Other digital payment providers like JazzCash and UPaisa have also seen substantial growth in transactions and revenues.

Finally, a key driving force behind Pakistan's digital financial transformation is changing consumer behaviour. The demand for top-class digital experiences is encouraging financial institutions to prioritize user-centric customer channels. As fintech continues to empower populations and promote financial inclusion, emerging markets like Pakistan must maintain their focus on encouraging fintech adoption to realize the sector's full potential.

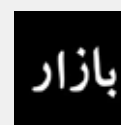


An expanding fintech ecosystem provides an increased range of opportunities for cooperation among different parties and facilitates a deeper integration of conventional products and services, thus paving the way for personalized solutions for customers. Fintech has the potential to revolutionize established financial markets, enhance financial access for underserved communities, including low-income families and women, and significantly contribute to the economic growth of nations.



The landscape of digital financial service delivery is changing, characterized by new patterns of interaction between incumbent firms and emerging fintech. While these budding disruptors pose a challenge to conventional players, leading to substantial investments in fintech, a collaborative approach could yield optimal results, as both incumbents and fintech leverage their unique strengths to capitalize on new opportunities.

Some case examples in the Fintech sector are as forth



Bazaar offers an operating system for general purposes. It helps to build an operating system for traditional retail systems. It provides a solution to purchase all the products for the store and maintain the accounts in the khata app. The platform offers features like point of sale management, supply chain management, digital lending, etc. The mobile application is available for play store users. <https://www.bazaartech.com/>



Finja provides an AI-driven digital wallet for consumer and business payments. It features a solution for fund transfers, bill payments, mobile top-ups, digital payment acceptance, online loan applications, business operation monitoring, digital banking, and more. The app is available for both Android and IOS devices. <https://finja.pk/>



Sadapay is a digital bank for individuals, it offers services such as saving an deposit accounts NFC-enabled prepaid cards for purchases, money transfers, cash withdrawals, and more. It features biometric authentication and identity verification for login. It uses AI-enabled tools for fraud detection. <https://finja.pk/>



Online platform for payday loans. It offers a solution that enables employees to access the earned wages before payday. It enables employers to approve and monitor the advances of the employees. Employees can request salary advances via mobile applications and chat options.

<http://abhi.com.pk/>



Card-linked wallet for individuals. Its services include money transfers, mobile recharges, bill payments, cash withdrawals, and more. It provides tools for blocking debit cards, monitoring transactions, expense management, and more.

<https://tagme.pk/>



CreditBook provides an app-based bookkeeping platform for micro, small, and medium enterprises. Its features include data management, cash flow management, payment tracking, expense management, report management, and more. It offers an app-based platform for Android devices.

<https://www.creditbook.pk/>



Developer of an app-based corresponding banking platform. It enables unbanked individuals to access financial services including utility bill payments, receive payments, international voucher purchases, E-load for sending and receiving mobile top-ups, and earnings by selling digital products. The application is available on the Android and IOS platforms.

<https://oneloadpk.com/>



Developer of an app-based corresponding banking platform. It enables unbanked individuals to access financial services including utility bill payments, receive payments, international voucher purchases, E-load for sending and receiving mobile top-ups, and earnings by selling digital products. The application is available on the Android and IOS platforms.

<https://postex.pk/>



Provider of an AI-powered lending platform for consumers and SMEs. It is an online marketplace to find consumer and SME loans. Its features include proprietary data-based credit scoring, online application, and AI-based credit scoring tools.

<https://adalfi.com/>



Keenu is a leading FinTech company in Pakistan providing end to end payment solutions to businesses and consumers alike. The company has ventured in Digital Wallet solutions with Keenu app for consumers where they can make quick and hassle-free payments across retail stores nationwide, online stores and make bill payments with just a few taps.

<https://www.keenu.pk/>



NayaPay is the ultimate wallet for all everyday payments. One can send money to friends and family on NayaPay for free always. Its Visa debit card can be used for online, in-store, and international payments. They provide digital payments and financial management tools to entrepreneurs. Its platform is specifically designed to be user-centric and comes with on-ground support.

<https://www.nayapay.com>



Developer of a microfinance application designed to provide seamless financial access to the unbanked and under-banked. The company's application analyzes consumers' digital footprint trends, social behavior, and consumption patterns driven by powerful algorithms and artificial intelligence, enabling individuals to cater to their short-term liquidity needs and provide them security and protection via health and term life insurance.

<https://www.tezfinancial-services.pk/index.html>



The business advantages for Finnish investors lie in the growing fintech market in Pakistan, supported by a rising smartphone and internet penetration, changing consumer behaviours, and supportive government policies. Finland's strong reputation in tech solutions, cybersecurity, and financial technologies can help them capture a significant share in this emerging market, while also contributing to financial inclusion and economic growth in Pakistan.

| S.no | Fintech Sector                | Opportunities for Finnish Investors/Businesses   |
|------|-------------------------------|--|
| 01   | Digital Payments              | Finnish companies, known for their robust mobile payments solutions, could invest in or collaborate with Pakistani startups to offer secure and efficient digital payment solutions. The growing smartphone and internet penetration makes this a very promising sector in Pakistan.   |
| 02   | Insurtech                     | Finland's experience in building digital-first insurance platforms can be used to modernize the insurance sector in Pakistan. Opportunities exist in creating AI-driven insurance platforms for health, life, and property insurance.  |
| 03   | Blockchain and Cryptocurrency | Finnish companies with strong blockchain expertise can play a crucial role in building blockchain-based fintech solutions in Pakistan. This could include decentralized finance (DeFi) solutions, digital identity verification, and secure transactions.                              |
| 04   | Lending Platforms             | With a large unbanked population, there is a significant market for digital lending platforms in Pakistan. Finnish fintech firms could bring their expertise in credit scoring models and risk assessment to create or invest in peer-to-peer lending platforms or micro-lending apps. |
| 05   | Robo-advisors                 | Finnish investors could seize the opportunity to introduce robo-advisory platforms in Pakistan, offering automated financial planning services with minimal human intervention. This could help democratize access to financial advice.  |
| 06   | Digital Banking               | Finnish digital banks could consider expanding to Pakistan, offering a user-friendly, app-based alternative to traditional banking. The Finnish expertise in digital UX design and secure mobile banking infrastructure could prove advantageous in this growing market.               |



|    |                                  |  |
|----|----------------------------------|--|
| 07 | Financial Inclusion Solutions    | Given Pakistan's focus on enhancing financial access for underserved communities, Finnish fintech firms can develop or invest in solutions that promote financial inclusion, such as mobile wallets, micro-savings apps, and digital financial literacy platforms. |
| 08 | Regtech                          | The regulatory environment in Pakistan is dynamic and supportive of fintech innovations. Finnish Regtech companies can leverage this to provide technology solutions to meet regulatory and compliance needs.  |
| 09 | Data Analytics for Finance       | Finnish firms with strengths in data analytics and AI could provide sophisticated analytics tools to Pakistani financial institutions, improving their decision-making, customer segmentation, and risk management capabilities.                                   |
| 10 | Fintech Incubators/ Accelerators | Finnish investors could establish fintech incubators or accelerators in Pakistan to nurture local startups, offering guidance, resources, and funding. This could generate lucrative returns and contribute to the overall growth of the fintech ecosystem.        |

### HealthTech:

Pakistan's healthcare system, especially in rural and remote areas, is moderately developed, functioning on a three-tier system that includes primary, secondary, and tertiary care. Basic health care is provided to local communities by lady health workers from health houses, who refer patients as necessary to basic health units, rural health centres, tehsil hospitals, and district hospitals. There are also a few sophisticated tertiary-level teaching hospitals.

The country houses nearly 95,000 nurses, 180,000 doctors, and 14,000 health institutions, including 1,000 hospitals, 105,000 hospital beds, 4,800 dispensaries, 5,500 basic health units, 900 mother and child care centres, and 600 rural health centres. Nota-

bly, Pakistan is the fourth highest contributor of international medical graduate doctors to the US.

Decentralization of authority has resulted in the health sector being restructured at federal, inter-provincial, and provincial levels, with primary public health and healthcare services responsibilities being shifted to the provincial level. Each province now houses its own health department, and key health programs like Family Planning, Primary Health Care, and Immunization Programs have been decentralized. This has led Provincial Governments to establish long-term health sector strategies (2012-2020) to enhance healthcare provision and essential services coverage.





With rapid digital adoption, Pakistan's healthcare sector is witnessing enhanced service delivery and accessibility. Investment potential exists in telemedicine, electronic medical records, health information systems, remote patient monitoring, and healthcare analytics. However, the health tech sector does face challenges such as uneven healthcare services distribution, variable quality of services, and inadequate data and analytics for policy-making and decision-making.

As per the US FDA, 'digital healthcare' includes mobile health (mHealth), health IT, wearable devices, telehealth, telemedicine, and personalized medicine, all of which contribute to a more efficient, cost-effective, accessible, and personalized healthcare system.

The burgeoning digital healthcare sector in Pakistan, driven by foreign investment, is showcasing significant growth potential. Key players in this sector include Dawaai, an online store for medicines; MedznMore, an online pharmacy; Ailaaj, which provides online consultations; Sehat Kahani, a digital e-healthcare platform; and Marham, an online platform for booking doctor appointments. These firms have secured substantial funding and are scaling their operations successfully. Platforms selling medicines and drugs online and facilitating online doctor consultations dominate the market. The Covid-19 pandemic has also led to a surge in telemedicine services.

Urban smartphone users, representing over half of mobile devices on cellular networks in Pakistan, are the primary target market for these digital healthcare startups. Residents of urban areas typically have better income

levels and access to medical facilities, making them the main consumers of digital healthcare services.

Interestingly, most digital healthcare startups are located in Lahore and Karachi, Pakistan's two biggest cities. These cities are home to large middle-class populations, indicating substantial spending power. The digital healthcare sector faces direct competition from traditional healthcare providers and indirect competition from informal sector providers. However, it also receives support from a variety of incubators, accelerators, and network associations dedicated to promoting startup growth.

While there is no dedicated e-health policy or regulatory authority, a telemedicine policy is on the horizon. Several digital health initiatives have been introduced at the national and provincial levels to encourage sector development.

In summary, Pakistan's digital healthcare sector exhibits considerable potential with substantial foreign investment and promising growth trends. With the appropriate policy and regulatory support, this sector could revolutionize Pakistan's healthcare landscape.

Some of the key stakeholders in the health tech ecosystem are as follows:



| Organization  | Role  | Key Initiatives  | Impact   |
|---|---|--|--|
| Federal and Provincial Governments  | Leadership and Governance, Ownership of Policy Development and Implementation, Monitoring and Evaluation, Appropriate Funding | Formulation of Supportive Legislation and Regulations                              | Establishing country-wide digital health programs                          |
| Provincial IT Boards  | Appropriate Governance Structure at National & Provincial Levels  | Formulation of Supportive Legislation and Regulations                              | Establishing country wide digital health programs                          |
| Multi-lateral Organizations (e.g. WHO, USAID, World Bank, Asian Development Bank) | Expertise and Best Practices brought in from other Markets and Countries, Availability of Technical Assistance and Funding    | Partner with Private Sector and Start-Ups for d-Health Solutions                   | Facilitate Government in Strategy Implementation                           |
| Government Hospitals  | Participation in d-Health Strategy Formulation  | Capacity Building of Government Health Agencies to use ICT's                       | Facilitate Government in Strategy Implementation                           |
| d-Health Regulatory Function  | Provide input into the development of d-Health governance model   | Formulation of Supportive Regulations for New Technologies like cloud and IoT etc. | Influence decision-making due to their acknowledged expertise in the field |
| Health Professional Associations  | Participation in d-Health strategy formulation  |  |  |









| Organization   | Role  | Key Initiatives               | Impact   |
|--|---|-------------------------------|--|
| Advisory Group-Academic, Research Institutes and Think Tanks | Provide input into the development of d-Health governance model   |                               | Influence decision-making due to their acknowledged expertise in the field |
| Private Health Care Providers and Start-Ups                  | Facilitate Research and Development of New Products and Services: Electronic Health Records and Information Systems | Bring in Innovative Solutions | Bridge the Gap of Quality Health Care Service Delivery                     |

Some examples in the health Tech space in Pakistan are as follows:

| Name  | About  | Website   |
|---|--|---|
|   | Sehat Kahani's one window digital healthcare platform connects a network of globally recognized and highly qualified online doctors to patients for online chat, audio and video enabled instant/on- appointment consultations ,online diagnostics and at home pharmacy services.<br>Its service lines allow individual consumers, corporate employees and patients in hard to reach underserved areas to access doctors via a Mobile application and intermediary assisted telemedicine facilitation centers. | <a href="https://sehatkahani.com/">https://sehatkahani.com/</a> |
|  | Taskeen (Urdu: "to comfort") Health Initiative is a non-profit whose vision is to change people's attitudes and behaviors towards mental health and wellbeing in Pakistan through awareness, education, expression, and advocacy.<br>Its mission is to promote mental health and prevent mental illness in Pakistan by increasing mental health awareness, providing accessible mental health services, and advocating for mental health policy change in Pakistan.  | <a href="https://taskeen.org/">https://taskeen.org/</a>         |



|   |   |   |
|---|---|---|
|    | Online pharmacy for buying medicines and other healthcare products<br>The platform provides access for users to search for and buy medicines & wellness products that include over-the-counter (OTC) and prescription medications. Also, it offers a B2B platform for the medical supply chain.   | <a href="https://medznmore.com/">https://medznmore.com/</a> |
|    | Taskeen (Urdu: "to comfort") Health Initiative is a non-profit whose vision is to change people's attitudes and behaviors towards mental health and wellbeing in Pakistan through awareness, education, expression, and advocacy.<br>Its mission is to promote mental health and prevent mental illness in Pakistan by increasing mental health awareness, providing accessible mental health services, and advocating for mental health policy change in Pakistan.   | <a href="https://dawaai.pk/">https://dawaai.pk/</a>         |
|   | Healthwire is a platform offering solutions for booking doctor's appointments for a consultation. Consumers can use the platform to search for doctors in various fields near their locality. Additionally, the platform also offers practice management software for doctors with appointment reminders, e-health records, e-prescriptions, invoicing, video consultation, and staff scheduling. The hospital management software is available for various administrative and finance solutions for hospitals. | <a href="https://healthwire.pk/">https://healthwire.pk/</a> |
|  | Online platform for doctor discovery & appointment booking. The platform enables users to find doctors by location or speciality and schedule an appointment online. Doctors can use the platform to manage appointments, grow online visibility and reputation.  | <a href="https://oladoc.com/">https://oladoc.com/</a>       |



Mobile-based application offering virtual healthcare services. The platform allows users to find and book healthcare services and make payments for the bookings. The services provided include doctor teleconsultation, home visit, nursing care, online pharmacy, physiotherapy, imaging and laboratory services. Patients can search for doctors by specialty, diseases, and book appointments through the app and get a consultation.

<https://mediq.com/>



Online store for the purchase of medicines. The product catalog includes general medicines, vitamins & supplements, haircare, skincare, mom & baby care products, and more. Users can upload the prescription and get discounts for medicines.

<https://ailaaj.com/>



Marham offers appointment booking, a Q&A forum, and a health blog for consumers to make better-informed health decisions. The app allows users to compare doctors and book appointments.

<https://www.marham.pk/>



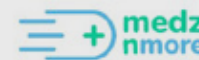
Emeds is an online pharmacy for selling drugs. Drugs can be searched as per the name or disease condition. The drugs sold are for diseases like acne, asthma, diabetes, heart failure, hair loss, hypertension, kidney disease, travel health, migraine, and others.

<https://www.emeds.pk/>



ProCheck offers solutions for anti-counterfeiting, operations management & data analytics to Pharma companies in Pakistan. Users can authenticate products via SMS using batch details. It claims plant monitoring solutions provide real time update on plant operations and senior management can use it for remote monitoring. The dashboards provide localized market insights, which can be used by brand managers to manage campaigns and programs.

<https://procheck.pk/>



Online pharmacy for buying medicines and other healthcare products  
The platform provides access for users to search for and buy medicines & wellness products that include over-the-counter (OTC) and prescription medications. Also, it offers a B2B platform for the medical supply chain.

<https://medznmore.com/>



It is a healthcare startup that started in 2016, a technology that is acting as a bridge between PMC verified doctors, trusted and leading laboratories, and the patients.  
The basic purpose is to provide better healthcare facilities at your utmost comfort. We offer Lab tests at home, Covid-19 Rapid & PCR Tests at home; PMC verified doctor visits at home, Health Insurance, and Medicine delivery. We have successfully expanded our operations in Islamabad, Pindi, Hyderabad, Lahore, Peshawar, and Multan!

<https://findmydoctor.pk/>



## Case example: Humanetek's Mohafiz:

Humanetek is a risk mitigation and crisis management firm that has innovated and launched the world's first private 911 solution in Pakistan and Egypt, with further corporate presence in Argentina and Kenya. Their mission is to provide unwavering support to their clients during any form of emergency.

As it stands, their core focus lies in aiding B2B clients through their operations by offering them robust safety, security, and crisis management support, operating on a monthly retainer basis. Their impressive client portfolio includes Careem, Daraz, Retailo, SWVL, PostEx, Byte, Syngenta, Acasus, Trella, among others. Mohafiz, their B2C vertical, is an app currently utilized by individuals facing life-threatening emergencies, boasting close to 100,000 organic downloads and numerous touchpoints.

Although the vertical hasn't been monetized yet, it has successfully handled over 50,000 emergencies and saved more than 10,000 lives to date. Over the last two years alone, Mohafiz has saved over 2,000 lives. The service handles any type of emergency, from arranging blood donations to liaising with law enforcement agencies to managing pre and post-hospitalization care.

The primary objective of Humanetek and its Mohafiz service is to provide secure tech-enabled emergency services, particularly in countries lacking a unified emergency service platform. They aim to provide on-ground support through public and private first responders during emer-

gencies and natural disasters. In the event of natural disasters, Mohafiz, with its extensive network, intends to become the platform providing real-time ground feedback about the necessary relief goods in specific areas and coordinating all related activities. A smaller-scale version of this was implemented during the floods of the previous year.

During the 2022 floods, Mohafiz was at the forefront, providing relief and support to distressed individuals. They supplied relief goods worth more than PKR 10 million in collaboration with their clients, utilizing the Pakistan Air Force as a delivery partner for inaccessible flood-affected regions. Furthermore, they are currently revamping their mobile application and integrating the platform in such a way that it can be utilized as an early warning system for natural disasters, including hurricanes, earthquakes, floods, and tsunamis. This will serve as a coordination and communication tool during emergencies, backed by their 24/7 operations room. In addition, the system will be used for predictive analysis after collecting sufficient data.

The primary advantage for Finnish investors/businesses lies in the potential of the growing Pakistani digital health market, combined with Finland's strong reputation for high-quality tech solutions, advanced health technologies, and data security practices. By filling gaps in the current Pakistani health tech market, Finnish companies can create value and capture significant market share, while also contributing to improved healthcare outcomes in the country.



| Sr.no | Healthtech Sector             | Opportunities for Finnish Investors/Businesses  |
|-------|-------------------------------|---|
| 01    | Telemedicine                  | Finnish investors can leverage their advanced technology and expertise in digital health to invest in or partner with Pakistani startups offering telemedicine services. This could involve remote consultations, disease management, and e-prescriptions. It would cater to growing demand while reducing healthcare accessibility issues. Finland's strong telemedicine and digital health landscape can offer valuable experiences and solutions for the Pakistani market. |
| 02    | Health Information Systems    | Finnish companies are at the forefront of advanced health information systems, including electronic health records (EHRs) and hospital information systems (HIS). Investing in or partnering with Pakistani health tech firms to develop or refine these systems would not only streamline healthcare operations but also create a reliable source of data for improved decision-making.  |
| 03    | Remote Patient Monitoring     | With the rise of home healthcare, there is potential for Finnish companies experienced in developing remote patient monitoring solutions. These solutions would help in managing chronic diseases and reducing hospital readmission rates. The Finnish proficiency in IoT technology and data privacy could offer a competitive edge in this area.  |
| 04    | Health Analytics              | Finnish companies, with their expertise in data analytics and AI, could play a crucial role in developing advanced health analytics solutions for the Pakistani market. This could involve predictive analytics for disease outbreaks, patient health outcomes, and healthcare operations.  |
| 05    | Digital Health Infrastructure | Finnish companies could contribute significantly to the development of digital health infrastructure in Pakistan, by providing solutions for secure data storage, data privacy, and cybersecurity – areas where Finnish tech is highly respected.   |
| 06    | mHealth Applications          | The mobile health application market is growing rapidly in Pakistan. Finnish companies, with their innovative approach to mobile application development, could fill the gap in the market for reliable, user-friendly, and comprehensive health apps that offer various services like booking appointments, consulting doctors, and ordering medicines online.   |



| Sr.no | Healthtech Sector                  | Opportunities for Finnish Investors/Businesses  |
|-------|------------------------------------|---|
| 07    | Personalized Medicine              | Finnish biotech firms, known for their strong focus on personalized medicine and genomic research, could bring their expertise to Pakistan to develop solutions tailored to the genetic and environmental factors unique to the Pakistani population. |
| 08    | Healthcare Training Solutions      | Finnish EdTech companies could use their expertise to develop digital platforms for training healthcare professionals in Pakistan, including eLearning solutions for medical education and training simulations for various healthcare procedures.    |
| 09    | Wearable Health Devices            | With a proven track record in technology and design, Finnish companies could bring high-quality, user-friendly wearable health devices to Pakistan, helping to meet the demand for real-time, personalized health monitoring.                         |
| 10    | HealthTech Incubators/Accelerators | Finnish investors could establish health tech incubators or accelerators in Pakistan to foster local innovation and startups, potentially yielding lucrative returns and contributing to the overall development of the health tech ecosystem.        |

## EdTech

Over the past decade, the EdTech sector in Pakistan has exhibited massive potential for growth, as demonstrated by the recent raise of \$2.8 million in seed funding by Maqsad. This investment indicates that local and MENA region investors are willing to foster the EdTech industry in Pakistan, contributing to its growth.

The global pandemic was a significant driving force for this increase in attention towards EdTech. Due to students' isolation from traditional classroom settings, the need for solutions to continue education remotely surged, bringing platforms such as Sabaq, Edkasa, Maqsad, and Nearpeer into the spotlight.

In response to school closures, the Pakistan government launched the Teleschool initiative, broadcasting educational content for K-12 students during regular school hours. This strategy brought increased attention to local EdTech startups, as they were heavily involved in this project. Despite these efforts, many students, particularly adolescent girls and boys, didn't return to school even in 2022.

The EdTech arena in Pakistan thus presents opportunities for new players and exhibits potential in addressing enduring education issues. The sector is not merely about providing online classes and tutor access, but about facilitating traditional education. Startups like Taleem-



abad and Wondertree have broadened their scope, offering diverse solutions and resources for various stakeholders.

As the field grows, startups are finding their niche, with some focusing on life skills and unconventional topics while platforms like Nearpeer are confidently venturing into skill-based programs and test preparations. The clear delineation of domains is providing new entrants with a clearer understanding of possible areas of expansion.

Notably, international interest in Pakistan's EdTech sector is growing. The Egyptian startup, Orcas, recently secured \$2.1 million

in pre-series A funding and plans to enter the Pakistani market. Meanwhile, Jordanian Startup, Abwaab, acquired a Pakistani EdTech startup, Edmatrix.

Nonetheless, Pakistan's EdTech industry faces challenges. Despite the vast market, there are significant obstacles, including an unreliable financial and payment infrastructure. Furthermore, cultural mindsets, such as a preference for in-person interactions with educators, pose additional barriers. Consequently, while the EdTech sector in Pakistan shows great promise, overcoming these challenges will be critical to truly thriving in the future.



App-based platform offering multi-disciplinary learning solutions for students. It allows students to complete courses at their own pace. It also provides doubt-clearing solutions. It is a study app that offers interactive bite-sized video lectures, MCQ practice tests, and instant math solutions. The app is available for iOS and Android users.

<https://maqsad.io/>



Orbit offers an AR-based educational app for schools. Offers an in-depth explanation of concepts taught in books using 3D visualizations. Allows students to master the concepts through a rich database of 3D models and also assists teachers in delivering complex topics through visual, interactive and deep learning experiences. Resources cover science, technology, engineering, and mathematics (STEM) subjects. Available for iOS platform.

<https://www.orbit-ed.com/>



Mobile & SaaS-based platform providing board exam preparation solutions. The platform offers online courses, video lectures, tutors, and practice test questions. The platform offers learning solutions for students of classes 9 and 10. Its mobile app is available for Android devices.

<https://edkasa.com/>



Discovery & career guidance platform for students. The platform is an online portal for students to apply to any educational institution. Students can apply to institutes and institutes can also follow up. They also provide career counseling services.

<https://daakhla.pk/>



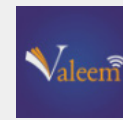
Nearpeer is an online courses platform which provides university courses and professional certification prep. Courses are in the form of downloadable video lectures with 24\*7 doubt clearance support through email. Currently provides online courses in partnership with LSE and LSUM. Courses taught are Financial accountancy, Economics, Marketing etc. Also provides certification prep for Chattered Accountancy Final. The university courses can be bought at university campus stores through scratch cards. Partners include Shopistan, Sarg, and others.

<https://nearpeer.org/landing>



Provider of app-based online tutoring solutions for students. The platform offers visual & textual content, doubt clearing solutions, interactive classes, self-assessment solutions, progress reports, and more. Its app is available for Android and iOS devices.

<https://bryt.app/pk/>



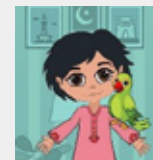
Online platform providing tutoring and test preparation solutions. It offers counseling solutions, online tutors, recorded classes, and more. It enables users to prepare for exams such as IELTS, SAT, GMAT, and more. It also offers learning programs on school curriculums.

<https://www.valeem.com/>



Provider of an online learning platform for students and financial professionals. It provides online learning courses and provides video lessons for students in the Urdu language. It also provides courses for CA, ACCA, ICMA, and more.

<https://learning-pitch.com/>



Animating and gamifying local Pakistani languages to overcome the language barriers in education, bridging the gap between the English and non-English-speaking strata's of Pakistan.

<https://chiraghtech.com/>



An EdTech company that provides world-class education! Their services ensure that every stakeholder (School owner, Principal, Teachers, Students) is better equipped to enable effective, lifelong education.

<https://taleemabad.com/>



TeeSquare is a socially purposed edTech enterprise dedicated to providing affordable, empowering, and inclusive quality education in Pakistan.

<https://www.teesquare.org/>

The potential business advantage for Finnish investors lies in the high growth potential of the Pakistani EdTech sector and the opportunity to establish a strong foothold in an emerging market. Additionally, Finnish companies can leverage their global reputation for high-quality education and technology to build strong partnerships with local stakeholders.



| Sr.no | EdTech Sector                      | Opportunities for Finnish Investors/Businesses   |
|-------|------------------------------------|--|
| 01    | Digital Learning Resources         | Finnish EdTech companies can collaborate with local organizations and public schools to develop and deliver digital learning resources. These resources can be tailored to meet the needs of the diverse student population in Pakistan, particularly those in rural areas. Another area that requires extensive intervention are teacher training resources, digital resources for teachers can also help build the capacity of a teachers from public and private institutions |
| 02    | E-assessment                       | With an identified need for e-assessment systems in public schools, Finnish companies could introduce robust, user-friendly platforms that support academic growth and provide measurable insights into student learning outcomes.   |
| 03    | Teacher Development Programs       | Finnish EdTech can utilize technology to improve continuous teacher development programs in Pakistan, creating a more effective and consistent teaching workforce.   |
| 04    | STEAM Education                    | Capitalizing on the Punjab Education Sector's focus on STEAM education, Finnish investors can establish partnerships to provide high-quality, interactive STEAM education resources and teacher training programs.   |
| 05    | Digitization Services              | As the majority of EdTech interventions in Pakistan are small-scale, there is an opportunity for Finnish businesses to offer scalable digitization services to low-cost private schools and public schools, which currently lack these technological solutions.  |
| 06    | High-Stake Examination Preparation | Finnish EdTech companies can create platforms and resources that target students from Grades 9–12. The focus can be on delivering impactful exam-preparation materials that enhance student performance in high-stake exams.   |
| 07    | Infrastructure and Devices         | With a noticeable disparity in access to remote learning, especially in low-cost private schools due to the lack of devices and technological infrastructure, Finnish investors can contribute by providing affordable devices and supporting the development of necessary infrastructure.   |



| Sr.no | EdTech Sector              | Opportunities for Finnish Investors/Businesses   |
|-------|----------------------------|--|
| 08    | Digital Learning Platforms | Given the current reliance on WhatsApp for remote learning in low-cost private schools, Finnish investors could introduce or adapt more efficient digital learning platforms, with built-in features for educational needs, that can enhance the learning experience for both teachers and students. |

### E-commerce:

Despite Pakistan's economy being primarily cash-based and informal, there is a progressive shift towards e-commerce, indicating promising growth in the digital economy. This evolution is driven by the growing internet user base, which is expected to exceed 100 million in the coming years, alongside an increasing number of Facebook users, which currently stands at over 49.2 million. This digital expansion is also reinforced by governmental and private sector initiatives promoting online services and transactions.

In 2021, Pakistan ranked as the 46th largest global e-commerce market, generating a revenue of US\$4.2 billion. This market is expected to grow significantly, becoming the 47th largest by 2023 with a projected revenue of \$6.4 billion. The primary contributors to this growth are sectors such as electronics and media (34%), furniture and appliances (29%), and fashion (20%). The Compound Annual Growth Rate (CAGR) over the next five years, however, is projected to be around 6 percent, a slight decline compared to the growth experienced over the previous five years due to challenges like currency fluctuations and weak GDP growth forecasts.

Compared to economies with similar profiles, such as Indonesia, the Philippines,

Egypt, and Bangladesh, Pakistan's e-commerce market is still relatively nascent, contributing slightly over 1.5 percent to the GDP. It's important to note that these comparisons are primarily based on card-based transactions, excluding a significant portion of e-commerce activity occurring via interbank fund transfers.

Despite a substantial increase in funding for e-commerce from 2019 to 2022, there has been a recent slowdown, with a noticeable shift towards Business-to-Business (B2B) e-commerce, potentially signalling a strategic shift within the industry.




The e-commerce landscape is dominated by popular platforms like OLX, Daraz, PakWheels, Zameen, Shophive, Homeshopping, Naheed Super Market, Cheetay, and Food Panda. However, a prevalent challenge within this industry is the dominant cash-on-delivery mode of payment, used by 95% of e-commerce companies, leading to increased operational costs and liquidity requirements. Despite the availability of digital payment solutions like EasyPaisa, JazzCash, and uPaisa, their market penetration remains relatively low. To overcome this hurdle, the State Bank of Pakistan launched a digital payment gateway, "Raast," in 2021.









The advent of affordable smartphones and 3G/4G services has bolstered mobile commerce, with some e-commerce start-ups attributing over 75% of their total business to mobile transactions. Social media platforms, including Facebook, Twitter, YouTube, and Instagram, are also increasingly influential in driving the growth of e-commerce in Pakistan.

In summary, while the e-commerce sector in Pakistan faces challenges such as a dominant cash-based culture and relatively low digital payment penetration, its robust growth, driven by increasing internet and smartphone use, a growing middle class, and strategic initiatives from both the government and the private sector, suggests a promising future.

### Case examples of Ecommerce in Pakistan:



| Company Name  | Description  | Link  |
|---|--|---|
|    | A classified advertisement website where individuals can buy and sell various products including electronics, vehicles, property, and services. It serves as a platform for both individuals and businesses.   | <a href="https://www.olx.com.pk/">https://www.olx.com.pk/</a>     |
|  | Daraz is a leading online marketplace in South Asia, empowering tens of thousands of sellers to connect with millions of customers. Daraz provides immediate and easy access to 10 million products in more than 100+ categories and delivers more than 2 million packages every month to all corners of its countries.  | <a href="https://www.daraz.pk/">https://www.daraz.pk/</a>         |
|  | It is an Online Marketplace that brings the most popular branded merchandise comprising of latest and advanced level of products and gadgets. The platform contains an impressive range of mobile phones, tablets, laptops, Women's Fashion, Men's Fashion, TV's and DVD's, Gaming Consoles and Games, Home & Living products like Home Appliances, Kitchen Appliances, Apparel & Clothing, Shoes & Footwear, Fashion Accessories and Jewellery, Beauty and Cosmetics, Baby Care, Home Decor and Furniture, Books, Sports Goods and much more. | <a href="https://www.ishopping.pk/">https://www.ishopping.pk/</a> |



| Company Name  | Description   | Link  |
|---|---|---|
|    | Pakistan's No.1 Marketplace for Electronics. Buy Authentic and Original products mobile phones, accessories and electronics at best prices.   | <a href="https://priceoeye.pk/">https://priceoeye.pk/</a>           |
|    | Food Panda aims to become daily convenience companion through door to door food delivery. It is an online food and grocery delivery platform owned by Berlin-based Delivery Hero.   | <a href="https://www.foodpanda.com/">https://www.foodpanda.com/</a> |
|    | Shophive is a premium website and officially the first e-Commerce website of Pakistan, registered in september 2005 and officialy launched on 25th Jan 2006. Their Vision is to give premium services to all our customers with satisfaction of the products by providing all Genuine Products, No fakes, No fraud, No doubt, they only sell Authentic and New Products with Manufacturer warranty and 7 days replacement warranty on all products, they believe in customer retention. | <a href="https://www.shophive.com/">https://www.shophive.com/</a>   |
|  | PakWheels is the largest online marketplace for car shoppers and sellers in Pakistan. It aggregates thousands of new, used, and certified second-hand cars from thousands of dealers and private sellers  | <a href="https://www.pakwheels.com/">https://www.pakwheels.com/</a> |
|  | Naheed.pk is an ecommerce venture of Naheed Super Market. It provides online groceries, makeup, skincare, haircare, mobile, electronics and much more through a simple and easy to use online shopping app. They offer all over Pakistan delivery.  | <a href="https://www.naheed.pk/">https://www.naheed.pk/</a>         |
|  | A leading online retailer in Pakistan offering electronics, mobile phones, home appliances, fashion, and more. They provide competitive pricing and fast delivery services  | <a href="https://www.telemart.pk/">https://www.telemart.pk/</a>     |





| Company Name  | Description   | Link  |
|---|---|---|
|  | This e-commerce site offers a wide range of products including electronics, mobile phones, home appliances, fashion and more. They provide cash on delivery and free shipping services across Pakistan. | <a href="https://homeshopping.pk/">https://homeshopping.pk/</a> |
|  | An online shopping website that offers products in various categories, such as electronics, fashion, home and kitchen appliances, health and beauty. They provide nationwide delivery services.         | <a href="https://www.symbios.pk/">https://www.symbios.pk/</a>   |

In the era of rapid digitization and technological advancements, Pakistan's burgeoning e-commerce industry presents myriad opportunities for Finnish investors and businesses. As one of the fastest-growing markets in South Asia, Pakistan offers a unique blend of a sizeable internet-using population, changing consumer behaviors, and an increasingly digital economy. While the e-commerce sector in Pakistan is still in its early stages, there are signs of immense

potential in several key areas. For forward-thinking Finnish investors and businesses looking to explore untapped markets, this sector offers a wealth of possibilities. From technological innovations in mobile commerce to the rise of social commerce, and from B2B platforms to e-learning, these are some of the areas where Finnish entrepreneurs could make a significant impact.

| Sr.no | E-commerce Sector | Opportunities for Finnish Investors/Businesses   |
|-------|-------------------|--|
| 01    | Online Retail     | Finland's expertise in digital solutions and online retail platforms can be leveraged in Pakistan's growing e-commerce market. Finnish companies can offer technological solutions, business models and strategies to local Pakistani companies, increasing their efficiency and competitiveness in the global market. |
| 02    | Mobile E-commerce | Finnish companies that develop mobile applications, websites, and e-commerce platforms can take advantage of the surge in mobile internet users in Pakistan. They can develop mobile shopping apps and mobile payment solutions for the Pakistani market.  |



| Sr.no | E-commerce Sector               | Opportunities for Finnish Investors/Businesses  |
|-------|---------------------------------|---|
| 03    | Digital Payments                | As digital payments in Pakistan are still in their nascent stage, Finnish fintech companies have the opportunity to provide solutions for secure online payment systems, helping to facilitate the shift from cash-on-delivery to digital payments in Pakistan's e-commerce sector. |
| 04    | Online Education Services       | Finnish edtech companies can seize the opportunity to provide online education platforms and services, given the increasing internet penetration and demand for online education in Pakistan.   |
| 05    | E-commerce Analytics            | Finnish businesses with expertise in data analytics can provide services to Pakistani e-commerce businesses to help them understand their customers better, improve their targeting, and maximize their marketing efforts.  |
| 06    | E-commerce Infrastructure       | Finnish companies that provide e-commerce infrastructure services, such as website development, secure hosting, and IT support, can assist Pakistani businesses in improving their online presence and operations.  |
| 07    | Social Media Marketing          | Finnish businesses specializing in social media marketing can offer their services to Pakistani companies looking to increase their reach and visibility on popular platforms such as Facebook and Twitter.   |
| 08    | Supply Chain Management         | Finnish companies with expertise in supply chain management and logistics could provide solutions to streamline delivery and order fulfillment processes in Pakistan's e-commerce sector.   |
| 09    | Cyber Security                  | Finnish cyber security companies can offer their services to Pakistani e-commerce sites to ensure safe and secure transactions, building trust and increasing customer confidence.  |
| 10    | Consumer Electronics E-commerce | Finnish consumer electronics companies could establish partnerships with popular e-commerce websites in Pakistan, like Daraz and Homeshopping, to sell their products to the vast consumer base in the country.   |



| Sr.no | E-commerce Sector                | Opportunities for Finnish Investors/Businesses  |
|-------|----------------------------------|---|
| 11    | Digital Payments and Fintech     | With only 24 per cent of Pakistan's population holding bank accounts and a growing shift towards digital payments, Finnish fintech companies can partner with local businesses to offer secure and reliable online payment solutions. The digital payment infrastructure can also be improved, building on the State Bank of Pakistan's initiative 'Raast'. |
| 12    | Mobile Commerce and Mobile Apps  | Given the rapid internet penetration and the prevalence of mobile-first consumers in Pakistan, Finnish businesses can invest in mobile commerce. They can build mobile apps for online shopping, digital wallets, price comparison, and delivery tracking, among other services.  |
| 13    | B2B eCommerce                    | The shift towards eCommerce isn't just seen among consumers, but businesses too. There is an opportunity for Finnish companies to set up B2B eCommerce platforms that can help streamline the supply chain and procurement processes for businesses in Pakistan.  |
| 14    | Social Commerce                  | With the high number of Facebook and Twitter users in Pakistan, Finnish companies can explore social commerce - selling directly through social media platforms. This can be a new channel for Finnish businesses to enter the Pakistani market.  |
| 15    | E-Learning                       | Considering the growth of online activities in Pakistan, there's room for Finnish businesses to invest in e-learning platforms. They can offer a variety of online courses, webinars, or digital certification programs that can be helpful for many Pakistanis who seek online education.  |
| 16    | E-Health                         | The pandemic has shown the necessity of digital health services. Finnish health tech companies could offer solutions like telemedicine, online pharmacy, online consultations, and health tracking apps to serve the Pakistani market.  |
| 17    | Logistics and Delivery Solutions | With the boom in eCommerce, there's a parallel need for reliable logistics and delivery solutions. Finnish companies could provide technology or services that enhance the logistics infrastructure, ensure timely delivery, and improve the overall customer experience.   |



| Sr.no | E-commerce Sector         | Opportunities for Finnish Investors/Businesses   |
|-------|---------------------------|--|
| 18    | Online Marketplaces       | Finnish businesses can invest in or partner with existing or upcoming online marketplaces in Pakistan. These platforms could sell a wide variety of goods, from electronics and clothing to groceries and home goods. They could leverage the strong Finnish experience in e-commerce, making the process more efficient and user-friendly. This can also pave the way for Finnish products to enter the Pakistani market. |
| 19    | Cross-border E-commerce   | Given the preference of Finns to buy from foreign sites, Finnish businesses can start or invest in cross-border e-commerce platforms to cater to the Pakistani market. This could include goods from Pakistan that are in demand in Finland, creating a mutual trade relationship.   |
| 20    | Mobile Commerce           | Finnish businesses can leverage their significant experience in mobile commerce to provide solutions for the underdeveloped mobile commerce sector in Pakistan. They can develop mobile apps for existing e-commerce businesses or start new mobile-centric e-commerce businesses.   |
| 21    | Digital Payment Solutions | Given the preference of Finns for bank transfers, Finnish businesses can invest in or partner with Pakistani businesses to develop safe and secure digital payment solutions. This can include bank transfer systems, digital wallets, or even card-based payment systems with strong security features.   |
| 22    | Online Food and Groceries | Finnish companies can leverage the experience of companies like K-Group to launch online food and grocery delivery services in Pakistan, a sector which has seen significant growth during the Covid-19 pandemic.  |
| 23    | E-commerce Security       | With a high concern for payment security in Finland, Finnish businesses can provide solutions for payment and data security in Pakistan's e-commerce industry. This can increase trust in online transactions, leading to increased e-commerce growth.   |



## Gaming Industry:

Pakistan's gaming industry is on an impressive upward trajectory, experiencing remarkable growth, particularly in mobile gaming, which generated \$171.30 million in 2022. According to recent data, online games contributed \$21.34 million and download games \$16.13 million to this figure.

The Pakistan Software Houses Association (P@SHA) projects that the revenue from video games will exceed \$200 million in 2023, with an annual growth rate of 9.77 percent projected from 2023 to 2027. This projection is reinforced by statistics from Statista, which predicts the revenue from the video game industry in Pakistan to reach US\$227.40 million by 2026, with an annual growth rate of 2.17% from 2022-26.

Approximately 8,500 game developers are currently employed in Pakistan, spread across three major sub-sectors: gaming products, middleware, and gaming services. Remarkably, Pakistan is home to about 36.8 million gamers in 2022, or 16% of its population, and this figure is expected to surge to 50.9 million gamers, or 20.6% of the population, by 2026. Despite the average expenditure per person on gaming in Pakistan being projected at US\$5.67 in 2022, this aligns closely with spending in neighboring India and is expected to grow with time.

Looking at the demographics, gaming in Pakistan is primarily dominated by young males. In 2021, 76.9% of gamers were male, and 44% of players were aged 18-24. However, gaming is also a hobby enjoyed by all socio-economic classes in Pakistan, with a fairly even distribution of players across different income levels.

Moving forward, the future of the gaming industry in Pakistan is being shaped by several key trends. Firstly, the burgeoning esports scene, bolstered by the likes of professional Dota 2 player, Syed Sumail "Sumail" Hassan, and Tekken player, Arslan "Arslan Ash" Siddique. Secondly, the inception of game development courses offered by various higher education institutions, which previously lagged in providing up-to-date, industry-relevant course materials. Lastly, the increased opportunities for women in the industry, with several game development studios in Pakistan employing a higher proportion of females than many countries worldwide.

Despite these advancements, the industry's growth could be further accelerated by leveraging Pakistan's vast and expandable human resource pool. He emphasizes that with adequate investment in human resources and skills development, the gaming industry's foreign remittances could grow by 30 percent year-on-year. Additionally, P@SHA has expressed a willingness to engage in a constructive dialogue with key governmental and financial institutions to align their practices and regulations with international standards.

In conclusion, Pakistan's gaming industry, currently attracting attention from global gaming industry leaders, shows immense potential for further growth and development. With its youthful population, an increasingly digital economy, and progressive advancements in the gaming scene, Pakistan is emerging as a regional

| Sr.no | E-commerce Sector                      | Opportunities for Finnish Investors/Businesses   |
|-------|--|--|
| 01    | Mobile Game Development                | Finnish companies can invest in or collaborate with Pakistani game development studios, given the strong growth of mobile gaming in Pakistan and Finland's stronghold in this sector.  |
| 02    | PC Game Development                    | Finnish companies with expertise in PC game development can look at investing in Pakistan's growing market, given the significant interest in PC gaming in both countries.   |
| 03    | Middleware Development                 | Finnish companies can take advantage of the growing middleware sub-sector in Pakistan, possibly by developing strategic partnerships with local companies.   |
| 04    | Esports Scene                          | Finnish companies can collaborate with Pakistani esports players or organizations, given the burgeoning esports scene in Pakistan.   |
| 05    | Game Development Education             | Finnish companies with a strong background in game development can invest in or collaborate with Pakistani educational institutions offering game development courses.   |
| 06    | Diverse Workforce Development          | Finnish companies can help promote and contribute to the trend of increased opportunities for women in the gaming industry in Pakistan.  |
| 07    | Human Resources and Skills Development | Finnish companies can invest in or collaborate on programs for human resources and skills development, given the identified need for investment in these areas in Pakistan.  |
| 08    | Collaboration on emerging technologies | Finnish companies, with their significant expertise in gaming, can collaborate with Pakistani developers to explore and develop games that leverage emerging technologies such as AI and Web3 technologies. For instance, they can work together on innovative AI-driven games or on games that use NFTs and crypto for player rewards and in-game transactions. |



| Sr.no | E-commerce Sector  | Opportunities for Finnish Investors/Businesses  |
|-------|--|---|
| 09    | Investment in Pakistani start-ups                          | Given the hesitance of investors in the current uncertain environment, Finnish companies could find opportunities to invest in Pakistani gaming startups. This could be a lucrative move as the market is still developing and these startups could offer innovative ideas and solutions.   |
| 10    | Collaboration on no-code game development platforms:       | Finnish companies could partner with Pakistani firms to develop easy-to-use, no-code game development platforms. This would empower a greater number of people to create games, increasing the diversity of game content and opening up new market opportunities.   |
| 11    | Partnerships for user acquisition                          | Finnish companies, with their deep understanding of the gaming market and effective user acquisition strategies, could partner with Pakistani companies to assist them in improving their user acquisition efforts. This could be in the form of joint marketing campaigns, knowledge transfer, or exchange programs.                         |
| 12    | Hybrid monetization strategies                             | Given the growing popularity of hybrid monetization strategies in the Finnish market, Finnish companies could work with Pakistani counterparts to explore similar approaches. This could involve a mix of free access, advertisements, subscriptions, and microtransactions to diversify revenue streams.                                     |
| 13    | Skill exchange and training                                | Finnish companies could invest in training and skill exchange programs with Pakistani developers. This would help the latter to improve their skills in leadership, process and production management, and decision-making, while Finnish developers could learn from the unique perspectives and approaches of their Pakistani counterparts. |
| 14    | Joint ventures for cloud gaming and subscription platforms | Given the rising popularity of cloud gaming and subscription platforms, Finnish companies could establish joint ventures with Pakistani firms to develop and offer such services. This would help them tap into new markets and take advantage of the increasing demand for these types of gaming experiences.                                |



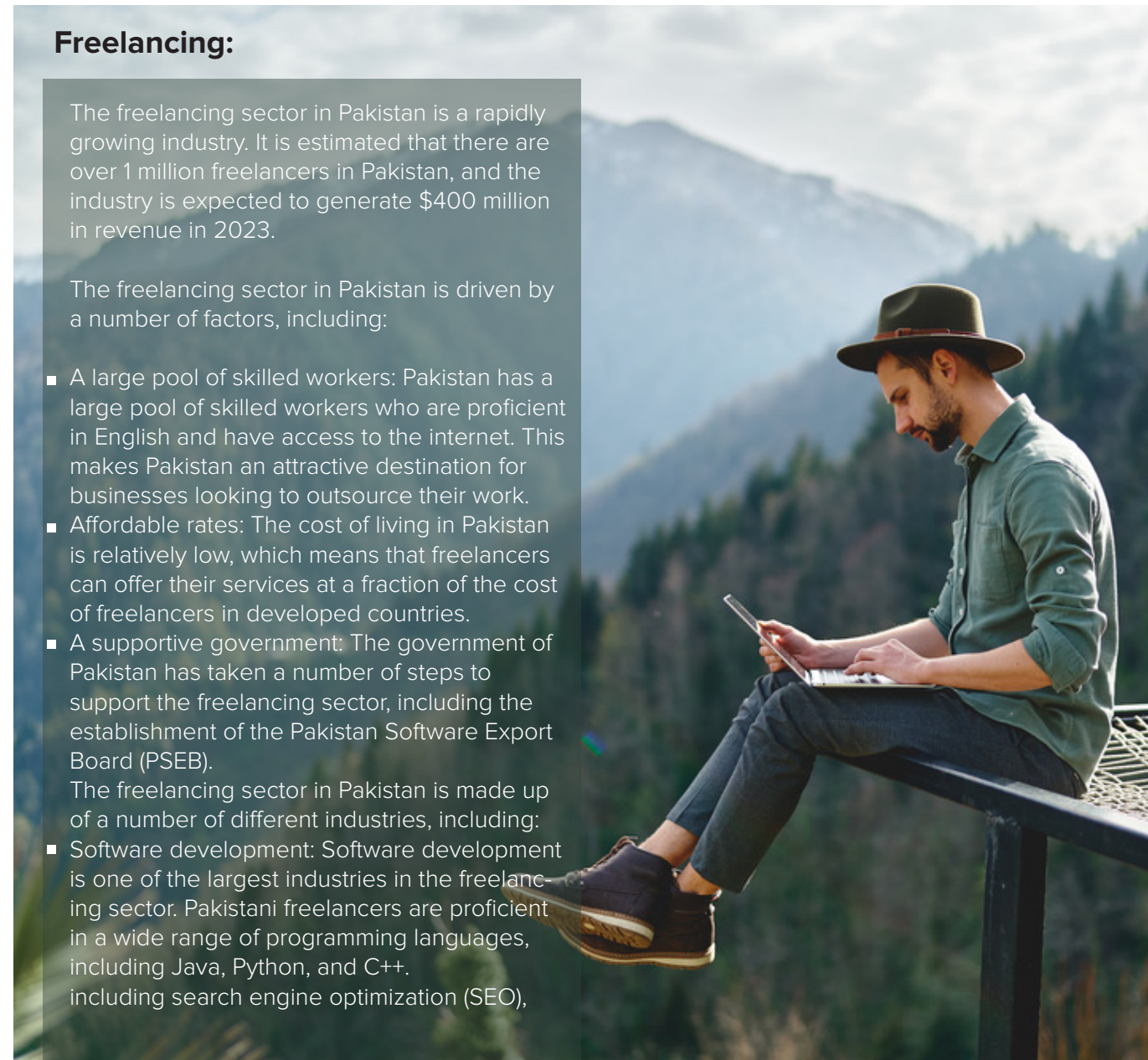
| Sr.no | E-commerce Sector                          | Opportunities for Finnish Investors/Businesses  |
|-------|--|---|
| 15    | Collaboration on games-as-a-service models | Finnish companies could collaborate with Pakistani firms to develop games based on the games-as-a-service model. This would allow them to continuously update and expand their games with new content, improving user engagement and generating more sustained revenue. |

### Freelancing:

The freelancing sector in Pakistan is a rapidly growing industry. It is estimated that there are over 1 million freelancers in Pakistan, and the industry is expected to generate \$400 million in revenue in 2023.

The freelancing sector in Pakistan is driven by a number of factors, including:

- A large pool of skilled workers: Pakistan has a large pool of skilled workers who are proficient in English and have access to the internet. This makes Pakistan an attractive destination for businesses looking to outsource their work.
  - Affordable rates: The cost of living in Pakistan is relatively low, which means that freelancers can offer their services at a fraction of the cost of freelancers in developed countries.
  - A supportive government: The government of Pakistan has taken a number of steps to support the freelancing sector, including the establishment of the Pakistan Software Export Board (PSEB).
- The freelancing sector in Pakistan is made up of a number of different industries, including:
- Software development: Software development is one of the largest industries in the freelancing sector. Pakistani freelancers are proficient in a wide range of programming languages, including Java, Python, and C++, including search engine optimization (SEO),





- **Web design:** Web design is another large industry in the freelancing sector. Pakistani freelancers can design and develop websites, as well as create and manage social media accounts.
  - **Content writing:** Content writing is another growing industry in the freelancing sector. Pakistani freelancers can write blog posts, articles, and other types of content.
  - **Graphics design:** Graphics design is a specialized industry in the freelancing sector. Pakistani freelancers can create logos, banners, and other types of graphics.
  - **Digital marketing:** Digital marketing is a growing industry in the freelancing sector. Pakistani freelancers can help businesses with their online marketing campaigns, including search engine optimization (SEO), pay-per-click (PPC) advertising, and social media marketing.
- The freelancing sector in Pakistan is a dynamic and growing industry. It is expected to continue to grow in the coming years, creating new opportunities for businesses and freelancers.
- Here are some of the key challenges facing the freelancing sector in Pakistan:
- **Lack of trust:** There is a lack of trust between clients and freelancers in Pakistan. This is due to a number of factors, including the lack of a strong legal framework and the lack of a reputation system for freelancers.
  - **Lack of skills:** There is a lack of skills among some freelancers in Pakistan. This is due to the fact that many freelancers are self-taught and do not have formal training in their chosen field.
  - **Lack of support:** There is a lack of support for freelancers in Pakistan. This is due to the fact that the government does not have a comprehensive policy for the freelancing sector.
  - **Access to skilled workforce:** As mentioned, Pakistan has a pool of over a million freelancers proficient in English and with a wide range of skills. For Finnish companies requiring digital services such as software development, web design, content writing, graphic design, and digital marketing, they can access skilled professionals at a fraction of the cost compared to hiring in-house teams or outsourcing to companies in more expensive countries.
  - **Affordability:** The lower cost of living in Pakistan allows freelancers to offer competitive rates. This cost efficiency could significantly reduce operational expenses for Finnish companies, particularly startups and SMEs, helping them stay lean and agile.
  - **Government support:** The establishment of the Pakistan Software Export Board (PSEB) demonstrates the government's commitment to growing the sector, indicating a likely favourable environment for foreign companies engaging freelancers from Pakistan.
  - **Flexibility and scalability:** The freelancing model provides businesses the ability to scale their workforce up or down as per project requirements. This can lead to better resource allocation and efficiency for Finnish companies.
  - **24/7 operations:** The time zone difference between Finland and Pakistan can be leveraged to ensure around-the-clock operations, with freelancers working while Finnish employees are off-duty.

Despite challenges such as trust issues, skill gaps, and lack of comprehensive policy support, the potential benefits are significant. Finnish companies can mitigate these challenges by using reputable freelancing platforms that have robust systems for reviews, dispute resolution, and secure payments, as well as offering opportunities for skill development and training.

Moreover, Finnish companies can contribute to enhancing the freelance ecosystem in Pakistan. They could collaborate with local educational institutions or

online learning platforms to provide training and certification programs, helping to upskill the freelance workforce. They could also advocate for improved policies and regulations to support freelancers.

In conclusion, investing in the freelancing sector in Pakistan could be a strategic move for Finnish companies, providing them access to a large, skilled, and cost-effective workforce while also contributing positively to the growth of the sector in Pakistan.

## 5.6: Primary Research - Industry Experts Interviews and Insights – IT

### Interview 1 Summary: Interview with Shamim Rajani

|    |  |  |
|----|--|--|
| 01 | How would you describe the current state of the IT industry in Pakistan? Provide a brief overview. | Shamim stated in the interview that IT industry in Pakistan is thriving, offering immense potential for global players. With a large number of IT graduates, a strong freelancer community, and a young, adaptable workforce, the industry is quick to embrace new trends and technologies. The ease of doing business is being enhanced through initiatives like Software Technology Parks and Special Technology Zones. Overall, Pakistan's IT industry provides a favourable environment for growth and investment. |
|----|--|--|

What are the major IT solutions in demand in Pakistan? Please list the top three.

Shamim said definitely if there are better solutions available globally for

#### 1. Healthcare:

There is a significant market demand for better healthcare solutions in Pakistan. Collaborating with global providers can help improve healthcare services and technologies in the country.

2. Education: The education sector in Pakistan requires advanced IT solutions to enhance learning experiences and educational outcomes. There is a need for innovative educational technologies and platforms.



**Interview 1 Summary: Interview with Shamim Rajani**

3. Collaboration with Local Incubators and Accelerators: Strengthening the startup ecosystem through collaboration with local incubators and accelerators can provide support and guidance to startups in Pakistan. This can help improve execution and sustainability in the industry and create opportunities for knowledge exchange and learning from more mature markets like Finland.

01 What are the gaps in our IT skill levels, what top five areas of collaboration do you see with Finland? – concrete opportunities

The gaps in IT skill levels in Pakistan include work ethics and professionalism, understanding individual rights, brand building and marketing skills, and code quality. The top five areas of collaboration with Finland are:

1. Work ethics and professionalism: Collaborative efforts to improve work ethics and professionalism in the IT industry.

2. Collaborative studies in emerging technologies: Joint research and studies in emerging technologies to leverage diversity and enhance results.

3. Exchange programs: Establishing exchange programs between Pakistani and Finnish companies to foster cultural understanding and knowledge exchange.

4. Brand building and marketing skills: Guidance and support in improving brand building and marketing skills to penetrate the European market effectively.

5. Code quality: Collaboration to enhance code quality practices, drawing from the expertise of European teams



**Interview 1 Summary: Interview with Shamim Rajani**

02 Who are the top five key players in the IT industry in Pakistan? How would you describe the level of market competition?

I doubt that there is any data sets collected around this however the top few tech companies working to provide custom software development that I know of personally (again not through data points) are:

- Systems Limited
- 10Pearls
- Folio3
- Venture Dive
- Genetech Solutions

03 Can you briefly explain the government policies and regulations that impact the IT industry in Pakistan?

The Government of Pakistan supports the IT industry but improvements are still needed. Policies and regulations are changing rapidly as part of the ongoing digital transformation. The IT sector is influenced by fiscal, monetary, innovation, human capital, and investment policies.

1. Fiscal policies, including taxation and legalities, impact the IT industry and require improvement.

2. Monetary policies, such as subsidies and grants, play a role in shaping the industry and need effective implementation.

3. Strong research and development (R&D) policies are needed to foster innovation. Intellectual property rights (IP rights) policies also require attention.

4. Human resources (HR) policies are crucial for the sector. The government has targeted skills development with training facilities.

5. Investment policies aim to provide ease of doing business, including tax exemptions and 100% equity ownership for foreign companies. The Single Window Policy is being developed.

While the government's support is appreciated, continuous improvement and effective implementation of these policies are essential for the growth of the IT industry in Pakistan.



**Interview 1 Summary: Interview with Shamim Rajani**

- |    |  |  |
|----|--|--|
| 04 | How would you assess the political risks and their implications for foreign businesses looking to invest in the IT industry in Pakistan?       | <p>She stated that I will be honest, right now the risks are high as Pakistan is going through a turbulence phase from a political angle. Once this passes, and it will pass momentarily now, things will hopefully return to normal as it was pre March 2022. The government introduced quite a few initiatives for Ease of Doing Business from and with Pakistan including:</p> <ol style="list-style-type: none"> <li>1.Cash Rewards of up to 5% on export growth</li> <li>2.100% equity for foreign investors</li> <li>3.100% Tax exemption for Start-up VCs on withholding and income tax.</li> <li>4.Subsidies on utilities and tax holidays in Special Technology Zones.</li> </ol> |
| 05 | What are the preferred market entry guidelines and options for Finnish businesses looking to establish a presence in the Pakistani IT market?  | <p>Pakistan's IT industry is rapidly growing and attracting foreign investments. The sector offers opportunities for companies with no investment amount restrictions, except for certain prohibited industries. Foreign companies can maintain 100% equity while working in the IT services sector. Key areas of expertise in Pakistan's IT market include Mobile App Development, SQA, Cloud Solutions Architecture, Web Engineering, and MEAN/MERN Stack Development.</p>   |
| 06 | Please provide an overview of the tax structure and legal incentives available to foreign businesses investing in the IT industry in Pakistan. | <p>Pakistan's tax structure for foreign businesses investing in the IT industry includes three categories: Sales Tax, Income Tax, and Other Taxes. Sales tax for local services ranges from 3% to 16%. Income tax rates vary based on whether the company is engaged in exports or operates locally, with withholding tax ranging from 0% to 3%. Incentives for IT and ITeS companies in Pakistan include cashback rewards, subsidies in Special Technology Zones, exemption from Capital Gains Tax for start-up VCs, and a 100% tax credit for start-up withholding and income tax</p>  |



**Interview 1 Summary: Interview with Shamim Rajani**

- |    |  |  |
|----|--|--|
| 07 | How would you assess the political risks and their implications for foreign businesses looking to invest in the IT industry in Pakistan?       | <p>She stated that I will be honest, right now the risks are high as Pakistan is going through a turbulence phase from a political angle. Once this passes, and it will pass momentarily now, things will hopefully return to normal as it was pre March 2022. The government introduced quite a few initiatives for Ease of Doing Business from and with Pakistan including:</p> <ol style="list-style-type: none"> <li>1.Cash Rewards of up to 5% on export growth</li> <li>2.100% equity for foreign investors</li> <li>3.100% Tax exemption for Start-up VCs on withholding and income tax.</li> <li>4.Subsidies on utilities and tax holidays in Special Technology Zones.</li> </ol> |
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| 09 | Please provide an overview of the tax structure and legal incentives available to foreign businesses investing in the IT industry in Pakistan. | <p>Pakistan's tax structure for foreign businesses investing in the IT industry includes three categories: Sales Tax, Income Tax, and Other Taxes. Sales tax for local services ranges from 3% to 16%. Income tax rates vary based on whether the company is engaged in exports or operates locally, with withholding tax ranging from 0% to 3%. Incentives for IT and ITeS companies in Pakistan include cashback rewards, subsidies in Special Technology Zones, exemption from Capital Gains Tax for start-up VCs, and a 100% tax credit for start-up withholding and income tax</p>  |



### Interview 1 Summary: Interview with Shamim Rajani

- |    |   |   |
|----|---|---|
| 10 | In what segments of the IT industry in Pakistan can more women be employed, and how can we connect women-led businesses between Pakistan and Finland? | Opportunities for employing more women in the IT industry in Pakistan exist across various segments. Initiatives like CodeGirls, WomenInTechPK, Women Engineers Pakistan, TechKaro, SheLance, and WOWpk support gender diversity and provide platforms for women in tech. To connect women-led businesses between Pakistan and Finland, fostering collaboration through partnerships, events, and online platforms can be explored. |
|----|---|---|

Shamim in her interview highlighted that Pakistan's IT industry is thriving, presenting significant opportunities for global players. Collaborative efforts in healthcare, education, start-up ecosystem development, and code quality improvement are crucial. With a strong ecosystem, leading expertise in specific areas, and government support, Pakistan's IT industry is poised for growth and is attracting foreign investments. Continuous improvements in policies and the resolution of political turbulence will further contribute to the industry's development.

### Interview 2 Summary: Interview with Fatima Asad-Said

- |    |   |  |
|----|---|--|
| 01 | How would you describe the current state of the IT industry in Pakistan? Please provide a brief overview. | According to Fatima, the IT industry in Pakistan is growing steadily. The government and industry associations have played a significant role in promoting investment and development. Major tech hubs have emerged in Karachi, Lahore, and Islamabad, with over 200 active startups in the country. Pakistan has a young, tech-savvy population and a large pool of skilled IT graduates entering the job market each year. Although there are challenges such as limited financing and infrastructure issues, there is great potential for the industry to become a major player in the global tech market. Fatima emphasizes the need for sustainable global partnerships and competitiveness in the rapidly evolving technology landscape. |
|----|---|--|



### Interview 2 Summary: Interview with Fatima Asad-Said

- |    |  |   |
|----|--|---|
| 02 | What are the major IT solutions in demand in Pakistan? Please list the top three.  | <p>The major IT solutions in demand in Pakistan are constantly evolving but based on recent trends, the top three solutions are likely to be:</p> <p>Cloud computing: As businesses and organizations in Pakistan move towards cloud-based operations, there is an increasing demand for cloud computing solutions. This includes cloud storage, backup solutions, and cloud-based software applications and platforms.</p> <p>Mobile app development: Pakistan has a significant number of smartphone users, leading to a growing demand for mobile app development. This encompasses various types of apps, including e-commerce, social media, and other digital services.</p> <p>Cybersecurity: Due to the rising number of cyber threats and attacks, cybersecurity has become a critical concern for businesses in Pakistan. The demand for cybersecurity solutions has increased as companies seek ways to protect their data and networks from cyber threats.</p> |
| 03 | What are the gaps in our IT skill levels, what top five areas of collaboration do you see with Finland? – concrete opportunities | In her interview she mentioned the gaps in IT skill levels in Pakistan and suggested collaboration opportunities with Finland in five key areas: data analytics, artificial intelligence (AI) and machine learning, cybersecurity, digital healthcare, and gaming. Concrete opportunities for collaboration include joint research projects, knowledge-sharing, and industry-academia partnerships. Collaboration in these areas can help bridge skill gaps and foster innovation in Pakistan's IT industry.  |





**Interview 2 Summary: Interview with Fatima Asad-Said**

- 04 How would you estimate the current market size of the IT industry in Pakistan? What are the key market trends and growth prospects you foresee in the next 5 years?

The current market size of the IT industry in Pakistan is estimated to be around US\$6 billion. Key market trends include the adoption of advanced technologies like AI, Cloud Computing, and IoT. The industry is expected to continue growing, supported by government initiatives and efforts to improve digital infrastructure. Expansion into international markets, particularly in the Middle East and South Asia, presents additional opportunities for Pakistani IT companies. Overall, the outlook for the IT industry in Pakistan is positive with significant growth prospects in the next five years.
- 05 Who are the top five key players in the IT industry in Pakistan? How would you describe the level of market competition?

The top five key players in the IT industry in Pakistan are Abacus Consulting Technology, Netsol Technologies, TechLogix, Systems Limited, TRG Pakistan, and Teradata. The market competition in the industry is high, driving innovation and improving the quality of services. However, with the entry of more start-ups and smaller companies, the industry has become fragmented and somewhat volatile.
- 06 Can you briefly explain the government policies and regulations that impact the IT industry in Pakistan?

The Pakistani government has implemented policies and regulations to support the IT industry. Initiatives like the Digital Pakistan Vision aim to promote investment and improve infrastructure. Special economic zones and technology parks have been established, and tax incentives are provided to IT companies. The State Bank of Pakistan has introduced regulations for digital payments. Efforts are also being made to enhance infrastructure, such as high-speed internet networks. Laws like the Prevention of Electronic Crimes Act and the Data Protection Bill have been enacted to improve the regulatory environment. The Pakistan Software Export Board (PSEB) facilitates and promotes industry growth.



**Interview 2 Summary: Interview with Fatima Asad-Said**

- 07 How would you assess the political risks and their implications for foreign businesses looking to invest in the IT industry in Pakistan?

Political risks can impact foreign businesses investing in Pakistan's IT industry. However, the benefits of investing in Pakistan outweigh the risks. The government's commitment to promoting the industry creates a favourable investment climate. While challenges like security concerns and political instability exist, strategic partnerships and collaborations can help mitigate risks. Building strong networks with local businesses and government entities is crucial for navigating political risks and tapping into Pakistan's thriving IT market.
- 08 What are the preferred market entry guidelines and options for Finnish businesses looking to establish a presence in the Pakistani IT market?

Finnish businesses seeking to enter the Pakistani IT market should follow certain market entry guidelines. Thorough market research is crucial to understand local demand, competition, and regulations. Partnering with a local company that has market knowledge and an established presence is a popular approach. This partnership helps navigate barriers, access local networks, and gain expertise. Establishing a subsidiary or joint venture with a local partner is another option, offering control and customization but requiring significant investment. Building relationships with government, associations, and industry experts is also important for market understanding and overcoming challenges.
- 09 Please provide an overview of the tax structure and legal incentives available to foreign businesses investing in the IT industry in Pakistan.

Foreign businesses investing in Pakistan's IT industry can benefit from the tax structure and legal incentives available. Special economic zones (SEZs) offer tax exemptions, and tax credits are provided for research and development investments. Legal protections include profit repatriation and safeguards against nationalization or expropriation of assets. The government has also simplified business registration and permit processes. However, navigating the legal landscape can be complex, so working with local experts is recommended for a smooth market entry.

**Interview 2 Summary: Interview with Fatima Asad-Said**

- 10 In what segments of the IT industry in Pakistan can more women be employed, and how can we connect women-led businesses between Pakistan and Finland?
- Opportunities for increasing women's employment in the IT industry in Pakistan lie in segments such as cybersecurity and data analytics. Our company actively supports gender diversity and inclusion, and we believe in encouraging women to acquire the necessary skills and access employment in all IT industry segments. Collaboration between Pakistan and Finland can be achieved by creating networks and platforms for women entrepreneurs and corporate leaders to share knowledge and resources. Supporting existing platforms, organizing events, mentorship programs, and workshops can foster an inclusive environment for women in the tech industry. This collaboration has the potential to drive innovation and growth for both countries.

Fatima highlighted the steady growth of Pakistan's IT industry, supported by government initiatives and a young, skilled workforce. The industry has major potential to become a global player, but faces challenges in financing and infrastructure. Collaboration opportunities with Finland exist in areas like data analytics, AI, cybersecurity, digital healthcare, and gaming. The market size is estimated at US\$6 billion, with trends in advanced technologies. The top players include Abacus Consulting Technology, Netsol Technologies, TechLogix, Systems Limited, TRG Pakistan, and Teradata. Government policies and regulations aim to promote investment and improve the regulatory environment. While political risks exist, strategic partnerships can mitigate them. Finnish businesses can enter the market through thorough research, local partnerships, and government engagement. Tax exemptions and legal protections are available for foreign investors. Increasing women's employment and connecting women-led businesses between the two countries can be achieved through networks, platforms, and supportive initiatives.

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## 6.1 The Landscape of ESG in Pakistan

Environmental, Social, and Governance (ESG) considerations are no longer peripheral aspects for businesses; they are central to sustainable operations and a company's responsibilities towards its stakeholders. These factors can have wide-ranging implications, positive or negative, impacting the environment, society, human rights, corporate governance, and ethics, among other areas.

As a developing nation, Pakistan contends with a spectrum of ESG challenges. The complex picture includes environmental degradation, social inequality, human rights infringements, governance shortcomings, and corruption. These issues manifest as considerable risks and costs to businesses functioning in the country, contributing to regulatory uncertainty, reputation damage, operational disruptions, and potential legal liabilities.

Take, for instance, Pakistan's heightened vulnerability to climate change and natural disasters. This precarious situation affects the availability and quality of crucial aspects such as natural resources, infrastructure, and energy supply. Simultaneously, a significant proportion of the country's population is impoverished and marginalized, grappling with discrimination, violence, lack of education and healthcare, and exploitation. The country's low-ranking governance and transparency indicators further impact factors such as the rule of law, accountability, and stability.

Despite the complexities, the ESG landscape in Pakistan also presents businesses with unique opportunities. By focusing on ESG objectives, companies can enhance their

competitive edge, stimulate innovation, engage more meaningfully with stakeholders, and drive positive social impact.

In this context, embracing ESG practices and policies can substantially elevate a company's environmental performance. This includes measures to reduce emissions, decrease waste, limit resource consumption, and bolster energy efficiency, alongside the adoption of renewable sources. In terms of social development and inclusion, businesses can make significant strides by providing decent jobs, fair wages, training, and educational opportunities, and upholding health and safety standards. Moreover, improving governance and ethical standards can be achieved through compliance with laws and regulations, implementing anti-corruption measures, encouraging diversity, and respecting human rights.

In contrast to Pakistan, Finland—a developed nation—exhibits exemplary ESG performance and awareness. Known for its environmental stewardship, robust social welfare system, human rights protection, good governance, and transparency practices, Finland also fosters a strong culture of innovation and entrepreneurship that drives ESG initiatives. The potential for increased trade and investment between Finland and Pakistan exists, particularly in sectors that align with ESG principles. Sectors such as information technology, home textiles, sportswear, workwear, and apparel could greatly benefit from the combined strengths and resources of the two nations.

# Environmental, Social Governance Considerations (ESG)



## 6.2 ESG Compliance and the Path Forward for Pakistani Businesses

However, there are inherent challenges that could impede this bilateral potential. Factors such as Pakistan's FATF (Financial Action Task Force) status, high air freight costs, ethical concerns, and cultural differences present significant hurdles. Thus, businesses interested in the Pakistani market must carefully assess these challenges and formulate effective mitigation strategies.

In light of the imperative to consider climate change's dual materiality, and the commitments of Pakistani companies to the Business Ambition for 1.5 degrees, the economic and commercial argument for ESG becomes persuasive. Failure to adapt to our changing physical environment will undoubtedly constrain business growth. Long-term investors are increasingly focused on a company's perception and disclosure of physical, legal, and transitional risks, rather than merely relying on market-driven evolution. Consequently, a shift towards ESG considerations is not only ethically sound but also constitutes a smart business decision.

Environmental, Social, and Governance (ESG) factors have become pivotal elements of sustainable and responsible business practices and are steadily gaining global recognition. Amidst this evolving landscape, Pakistan, a developing nation, grapples with a myriad of ESG challenges. Predicaments like environmental degradation, social inequality, governance issues, human rights violations, and corruption pose significant risks to its businesses, casting shadows on regulatory certainty, operational stability, and reputation, and exposing them to potential legal liabilities.

However, there has been a visible rise in commitment from Pakistani companies towards global ESG frameworks in recent years. A prominent example is the endorsement of the Business Ambition for 1.5 degrees, mandating companies to halve their emissions by 2030. Alongside, companies have been aligning with frameworks like the United Nation's Global Compact and the UN's Women Empowerment Principles, both of which emphasize inclusive and sustainable development.

Despite these advancements, adherence to globally recognized reporting frameworks such as the Global Reporting Initiative (GRI) is relatively low. A 2019 survey by the Centre of Excellence in Responsible Business (CERB) and the United Nations Development Programme (UNDP) indicates that only 17% of Pakistani companies use the GRI standards, contrasting sharply with a global average of 73%.

Unravelling the ESG and sustainability landscape in Pakistan reveals a nuanced picture. Institutions like the Securities and Exchange Commission of Pakistan (SECP), Pakistan Stock Exchange (PSX), Pakistan Institute of Corporate Governance (PICG), Association of Chartered Certified Accountants (ACCA), and the Institute of Chartered Accountants Pakistan (ICAP) are advocating for sustainability reporting. An ESG task force has been constituted to pinpoint an apt reporting framework. With Pakistan being an IFRS-compliant nation, the International Sustainability Standards Board (ISSB) seems a logical choice. This progress is further underscored by the PSX's signatory status to the Sustainable Stock Exchanges Initiative and SECP's recent unveiling of an ESG reporting roadmap for voluntary adoption.

Meanwhile, the Pakistani government's commitment to the United Nations Sustainable Development Goals (UNSDGs) synchronizes national policies with global objectives. However, ambiguity persists in the business sector regarding the essence of ESG/Sustainability reporting: is it just a compliance activity or does it have an intrinsic business case? While investors are shaping their investment policies, the weightage of ESG/Sustainability in valuation remains uncertain.

Although customers appear receptive to sustainable products and services, only a minority are prepared to pay a premium.





Additionally, businesses integrated into the global trade network or attracting international investors show more activity in ESG/Sustainability reporting. A concurrent challenge is the scarcity of skilled professionals in this space in Pakistan.

As Pakistan faces one of the highest climate change risks, businesses must mitigate environmental perils, confront social challenges, and enhance governance. This dual approach not only alleviates risks but also bolsters competitive advantage, sparks innovation, promotes stakeholder engagement, and impacts society positively.

Notwithstanding the slow but steady commitment of Pakistani companies to global sustainability frameworks, the adoption of internationally recognized reporting frameworks like the GRI is still minimal. The need of the hour is comprehensive ESG disclosure guidance, following in the footsteps of 63 other countries, including many in the Middle East and South Asia.

Several initiatives have been rolled out to spur the private sector's engagement in sustainability disclosure. SECP's enactment of the Corporate Social Responsibility (CSR) Order in 2009, applicable to all listed companies, and the subsequent voluntary CSR guidelines in 2013, demonstrate such efforts. The Code of Corporate Governance Guidelines (2017) further delegates the onus of implementing ESG practices to the board of directors.

In conclusion, Pakistani businesses and their counterparts in other nations, including Finland, need to concentrate on identifying and disclosing physical, legal, and transitional risks and not merely succumbing to

market-driven evolution. The integration of these risks into their strategic roadmaps will not only help in tackling the challenges posed by ESG issues but also in capitalizing on the opportunities they offer. The journey towards sustainable and inclusive growth for Pakistan's corporate sector requires businesses, regulators, and stakeholders to amplify their commitment to sustainability.



## 6.3 The Practice of Sustainability Reporting in Pakistan

In the context of Pakistan, sustainability reporting is a voluntary practice, not mandated by any regulatory requirement. The decision of companies to engage in sustainability reporting is driven by multiple factors.

Firstly, Pakistani companies are progressively aligning their sustainability models with international best practices. They acknowledge the significance of sustainability and its integration into their business strategies and corporate objectives. By incorporating sustainability into their operations, they aim to remain competitive in a rapidly evolving business environment and stimulate innovation.

Although there is no legal obligation for sustainability reporting in Pakistan, companies opt to prepare these reports to attain international recognition. Reports adhering to the Global Reporting Initiative (GRI) standards are globally accessible, enhancing the companies' reputation and showcasing their dedication to sustainable practices.

Moreover, Pakistani companies are increasingly cognizant of the importance of global connectivity. They comprehend that global corporate reporting is essential for maintaining their position in global supply chains and competing in a dynamic business environment. Through sustainability reporting, companies can exhibit their commitment to environmental and social responsibility, enhancing their market standing and attracting potential international partners and investors.

The energy crisis in Pakistan also motivates companies to engage in sustainability reporting. As an energy-deficient country, companies understand the necessity to conserve existing energy resources. By incorporating sustainable practices into their operations and reporting on their energy conservation initiatives, companies can contribute to addressing the energy crisis while reducing their environmental footprint.

Furthermore, there is an emerging recognition among Pakistani businesses that sustainable development should be integrated into their planning and measurement systems. This recognition indicates a shift towards a more comprehensive approach to business, where economic, social, and environmental considerations are integrated.

The Pakistani government requires companies to provide environmental, social, and governance (ESG) disclosures on their projects in country, but there is no single regulatory mechanism or central regulation for such requirements. For instance, companies must work with the Ministry of Climate Change on environmental disclosures; the EOBI on social disclosures, such as those that concern pensions; and SECP on governance disclosures. However, implementation and monitoring and enforcement mechanisms for such requirements are weak and opaque.



### 6.3.1 Factors Influencing Reporting

Research suggests that Pakistani firms with more gender-diverse boards, larger audit committees, and higher institutional ownership are more inclined to issue sustainability reports. In contrast, concentrated ownership, managerial ownership, foreign ownership, and audit committee independence negatively impact firms' decisions to report on sustainability. While the influence of board composition on sustainability reporting decisions is weak, it is strong for ownership structure and mixed for audit committee factors.

**1. Firm Characteristics:** The characteristics of a firm play a significant role in the decision to voluntarily report on sustainability. The size of the firm, for instance, can influence this decision as larger firms may have more resources to dedicate to sustainability reporting. Financial capacity is another important factor; firms with greater financial resources are more likely to invest in sustainability initiatives and reporting. Growth opportunities can also influence the decision, as firms with a forward-looking growth strategy may see sustainability reporting as a way to enhance their reputation and attract investment. The age of the firm can also play a role, with older, more established firms potentially more likely to engage in sustainability reporting due to their long-term perspective and stability. Furthermore, firms operating in certain industries such as technology, chemical, and pharmaceutical are more likely to issue sustainability reports, possibly due to the nature of their operations and the associated environmental and social impacts.

**2. Policy Implications:** From a policy perspective, certain attributes could be

focused on to achieve the public policy objective of sustainable development. For instance, companies can enhance their sustainability reporting by promoting gender diversity on their boards, which can bring a broader range of perspectives and insights to the decision-making process. However, it's important to note that the current corporate governance guidelines for board composition may not provide comprehensive recommendations to stakeholders, suggesting a potential area for policy refinement.

**3. Ownership Structure:** The structure of a firm's ownership can significantly impact its strategic decisions, including those related to sustainability engagement. Different types of shareholders may have varying attitudes towards sustainability, which can influence the firm's approach to sustainability reporting. For example, institutional investors often value sustainability reporting as it provides them with important information about a firm's environmental and social performance. Therefore, sustainability reporting can be a strategic tool for attracting such investors.

**4. Audit Committee:** The size of a firm's audit committee is a crucial factor influencing the decision to engage in sustainability reporting. Larger audit committees may have a broader range of expertise and perspectives, which can enhance the quality of the firm's sustainability reporting. However, there appears to be a negative association between the independence of the audit committee and the decision to report on sustainability. This suggests that audit committees that operate independently from the firm's management may be less likely to support sustainability reporting, possibly due to a more conservative or risk-averse approach.



**5. Corporate Governance:** Corporate governance, as measured by various metrics, can significantly impact a firm's approach to sustainability reporting. Factors such as the size of the board, the independence of the board, and the size of the audit committee are positively correlated with the decision to report on sustainability.

This suggests that firms with larger, more independent boards and audit committees are more likely to engage in sustainability

reporting. However, there appears to be a negative correlation between gender diversity on the board and the decision to issue sustainability reports, indicating that boards with greater gender diversity may be less likely to support sustainability reporting. The influence of ownership structure on sustainability reporting is also significant, with institutional and foreign ownership positively influencing the decision to report, while managerial ownership negatively influences this decision.

## 6.4 Industry Opportunities within the ESG Space in Pakistan:

Businesses operating in Pakistan are faced with both ESG risks and opportunities. Understanding and effectively managing these factors is crucial for long-term success and sustainability. Following are the ESG risk, opportunities and how Pakistan and Finland can collaborate.

### Textile Industry:

| S.no | ESG dimension | Challenge   | Opportunity for Finland-Pakistan Business Collaboration   |
|------|---------------|---|---|
| 01   | Environmental | Hazardous chemical management, waste pollution, and natural resource depletion are some of the environmental challenges faced by Pakistan's textile industry                    | Finnish expertise in bio-based raw materials and smart technologies could assist Pakistan's textile industry in adopting sustainable practices like reducing GHG emissions, improving hazardous waste management, and transitioning to renewable and recyclable materials |
| 02   | Environmental | The textile industry contributes significantly to global carbon emissions and is resource-intensive, particularly in terms of water usage for cotton production                 | Finnish companies such as Infinited Fiber and Spinnova have developed sustainable textile fibres that could potentially be utilized in Pakistan's textile industry to reduce carbon emissions and waste   |
| 03   | Environmental | The issue of packaging in the textile industry is another significant environmental concern, with many companies still relying on non-recyclable or non-biodegradable materials | Finnish companies have developed bio-based packaging solutions that could be utilized in Pakistan's textile industry to reduce its environmental footprint  |



| S.no | ESG dimension | Challenge  | Opportunity for Finland-Pakistan Business Collaboration  |
|------|---------------|--|--|
| 05   | Environmental | Post-consumer textile waste is a significant contributor to landfills and a lost opportunity for resource recovery   | Finland's commitment to becoming one of the five leading textile recycling hubs in Europe could provide valuable insights and models for Pakistan to improve their textile waste management and recycling efforts  |
| 06   | Social        | Fair compensation, responsible recruitment, and respect for human rights and health and safety standards are key social challenges in Pakistan's textile industry  | The Finnish textile industry's experience with responsible manufacturing and emphasis on fair labour could be shared with Pakistan's textile industry to improve labour standards  |
| 07   | Social        | The textile industry in Pakistan is taking a bottom-up approach to sustainability, with international compliance certifications and a commitment to achieving net-zero targets. However, there needs to be more coherence under the ESG framework and the development of comprehensive sustainability strategies, governance and goals | Finland's reputation as a leading country in sustainable development could provide valuable insights for Pakistan's textile industry in shaping its long-term sustainability strategies  |
| 08   | Governance    | The commitment to sustainability in the textile industry often requires binding agreements and partnerships with other companies. Developing these partnerships and agreements can be a complex and challenging process  | Finnish companies such as Infinited Fiber and Spinnova have experience with these types of agreements and partnerships. They could potentially assist Pakistani companies in developing their agreements to facilitating the growth and development of a more sustainable textile industry in Pakistan |
| 09   | Governance    | Research and development of new materials and processes for the textile industry is crucial to advancing sustainability goals but requires significant investment and collaboration across sectors and disciplines   | Finland's efforts in collaborative innovation, such as the Telavalue project, showcase a model of working across industry and academia to solve complex problems. This approach, coupled with Finland's expertise in chemistry and materials science   |



**Energy Sector:**

| S.no | ESG dimension | Challenge   | Opportunity for Finland-Pakistan Business Collaboration  |
|------|---------------|---|--|
| 01   | Environmental | Pakistan's massive power shortfall and dependence on imported fuels have led to environmental degradation and stifled socioeconomic growth. Furthermore, the conventional mindset and lack of financial resources have hampered the expansion of renewable energy   | Finnish expertise in renewable energy technologies and sustainable energy policies could help Pakistan diversify its energy sources, reduce dependence on imported fuels, and move towards a more sustainable energy sector. Finland's experience in financing renewable energy projects could also assist Pakistan in overcoming the financial challenges related to the expansion of renewable energy. |
| 02   | Social        | The current power shortfall has hindered socioeconomic advancement in Pakistan, and high local fuel costs have slowed the construction of new industrial parks. Moreover, conventional power plants have expensive installation and per-kWh energy costs, which contribute to energy poverty                              | Finnish companies could offer affordable, decentralized energy solutions and technologies that can help Pakistan increase access to clean, reliable energy, and reduce energy poverty. Also, Finnish expertise in building cost-effective and efficient power plants can assist Pakistan in reducing the costs associated with power production.   |
| 03   | Governance    | Governance issues including reliance on imported fuels, the transition of power plants to natural gas, and load shedding due to supply-demand fluctuations, pose challenges to Pakistan's energy sector. The sector also faces issues due to the conventional mindset and resistance to adopting renewable energy sources | Finland's well-regulated energy market and strong governance models could provide valuable insights to improve governance in Pakistan's energy sector. The Finnish experience in transitioning to renewable energy, managing supply-demand fluctuations, and overcoming resistance to change could guide Pakistan in transforming its energy sector.   |

**Construction Sector:**

| S.no | ESG dimension | Challenge  | Opportunity for Finland-Pakistan Business Collaboration  |
|------|---------------|--|--|
| 01   | Environmental | High energy consumption in the construction industry and related CO2 emissions. High usage of various natural resources such as water in construction. | Collaboration on implementing and promoting energy-efficient and sustainable building designs in Pakistan. Sharing Finland's expertise in using sustainable materials that have a minimal environmental load, such as PVC. |





| S.no | ESG dimension | Challenge   | Opportunity for Finland-Pakistan Business Collaboration   |
|------|---------------|---|---|
| 02   | Environmental | Lack of energy-efficient and sustainable buildings to conserve natural resources and protect the environment from degradation.  | Joint research and development initiatives to design and create sustainable and energy-efficient buildings, sharing best practices from Finland's construction sector.  |
| 03   | Environmental | A high volume of construction waste and inefficient use of materials in construction leading to high greenhouse gas emissions and waste.                                  | Sharing Finland's best practices in promoting a circular economy in construction, including reuse and recycling of construction materials.  |
| 04   | Environmental | Underutilization of construction and demolition waste in new construction projects.   | Collaboration on initiatives to increase the utilization rate of construction and demolition waste in Pakistan, drawing from Finland's goal of achieving a 70% utilization rate.  |
| 05   | Environmental | The high cost and environmental impact associated with the import of sustainable construction materials.  | Finland can partner with a local Pakistani company to establish a factory for the production of sustainable construction materials. This will decrease costs, boost the local economy, and provide an opportunity for the export of these materials to Finland. |
| 06   | Social        | General lack of awareness and training around green construction. The high upfront cost of design, technology, materials, and methods is linked to sustainable practices. | Collaborative training programs and knowledge exchange to increase awareness of green construction, and funding initiatives to help offset the high upfront costs of sustainable construction.  |
| 07   | Social        | Inefficient use of existing buildings and spaces, leading to unnecessary new construction.  | Collaboration on digital services and initiatives to facilitate the joint use of buildings and optimize space usage, drawing from Finland's experiences.  |
| 08   | Social        | Lack of high-paying employment opportunities for labour in Pakistan.  | Considering the acute shortage of skilled labour in the Finnish construction industry; establishing worker exchange programs where skilled labour from Pakistan could be employed in Finland's construction sector.   |



| S.no | ESG dimension | Challenge  | Opportunity for Finland-Pakistan Business Collaboration   |
|------|---------------|--|---|
| 09   | Governance    | Unimplemented regulations to promote energy-efficient design and construction.                                     | Sharing Finland's experiences and best practices in implementing and enforcing energy-efficient building codes and regulations. Assisting in the establishment of regular energy audits for buildings, particularly in the commercial sector. |
| 10   | Governance    | Lack of systematic collection, management, and sharing of data on the materials and products used in construction. | Cooperation to develop systems for data management of construction materials throughout their lifecycle, as practised in Finland, to enable better carbon footprint assessment and material utilization.                                      |

**Agriculture Sector:**

| S.no | ESG dimension | Challenge  | Opportunity for Finland-Pakistan Business Collaboration  |
|------|---------------|--|--|
| 01   | Environmental | Inefficient and unsustainable farming practices in Pakistan leading to climate change impacts.                     | Finnish companies could invest in developing and implementing technologies for precision agriculture, sustainable farming practices, and carbon sequestration techniques in Pakistan. This can promote soil health, reduce emissions, and increase agricultural productivity. Additionally, Finnish companies could bring cellular agriculture technology to Pakistan, providing an opportunity to supplement traditional farming practices, reduce environmental impacts, and meet food demand sustainably. |
| 02   | Environmental | Lack of systematic collection, management, and sharing of data on the materials and products used in construction. | Finnish companies could establish facilities in Pakistan that convert agricultural waste into biofuels, fertilizers, and other high-value products, supporting a circular economy and reducing emissions. They could also incorporate bio waste into cellular agriculture processes, potentially using it as a medium for cell cultivation.  |



| S.no | ESG dimension | Challenge  | Opportunity for Finland-Pakistan Business Collaboration   |
|------|---------------|--|---|
| 03   | Environmental | Water scarcity and inefficient irrigation techniques are exacerbated by climate change.                                  | Finland's expertise in water management systems can be a vital asset in tackling water scarcity in Pakistan. Finnish businesses could partner with local enterprises to introduce water recycling, treatment systems, and efficient irrigation techniques. Also, the adoption of cellular agriculture, which requires significantly less water than traditional agriculture, could help to alleviate water scarcity issues. |
| 04   | Environmental | Degradation of biodiversity due to intensive farming methods and climate change.   | Collaboration between Finnish and Pakistani researchers and agricultural experts could lead to the development of new methods for implementing agroforestry, permaculture, and climate-resilient farming practices in Pakistan, supporting biodiversity. Cellular agriculture could also play a role by reducing the need for extensive land use and therefore helping to conserve natural habitats and biodiversity.       |
| 05   | Environmental | Inefficient food processing facilities lead to food wastage, missed market opportunities, and a higher carbon footprint. | Finnish businesses could invest in developing energy-efficient food processing facilities in Pakistan, which can help extend the shelf-life of fresh produce, reduce wastage, and create new market opportunities. The application of cellular agriculture techniques could lead to the creation of new, innovative food products, providing fresh business opportunities and reducing the carbon footprint.                |
| 06   | Environmental | Need for research farms to study and test new agricultural practices, techniques, and technologies.                      | Collaboration between Finnish and Pakistani agricultural research institutions can facilitate the establishment of research farms in Pakistan. These farms can serve as experimental facilities to develop and test sustainable agricultural practices, share knowledge, and provide training opportunities for farmers and agricultural students.  |



| S.no | ESG dimension | Challenge   | Opportunity for Finland-Pakistan Business Collaboration   |
|------|---------------|---|---|
| 07   | Social        | Food wastage, lack of local and urban food systems, and the effects of climate change on food security.                       | Finnish businesses can share their successful models of local food systems, nutrient recycling, and climate-friendly agricultural practices with Pakistani counterparts and invest in urban farming initiatives in Pakistani cities. The introduction of cellular agriculture could also contribute to food security by producing food more efficiently and in a controlled environment.          |
| 08   | Social        | Lack of knowledge and infrastructure for organic, regenerative, and climate-resilient agriculture.                            | Finnish businesses can leverage their expertise in organic, regenerative, and climate-resilient farming to support Pakistani farmers. This can involve investing in training programs, implementing carbon sequestration practices, or establishing certification bodies in Pakistan. Finnish experts could also provide training and support in cellular agriculture technologies and practices. |
| 09   | Social        | Financial constraints faced by farmers limit their ability to invest in their farms and adopt new technologies and practices. | Collaboration between Finnish and Pakistani financial institutions can help provide financing solutions tailored to the needs of farmers in Pakistan. This can enable farmers to invest in their land, adopt sustainable agricultural practices, and access modern technologies, thereby improving productivity and minimizing post-harvest losses.   |
| 10   | Governance    | A lack of innovative packaging solutions leads to food wastage and a higher carbon footprint.                                 | Finnish companies could introduce innovative packaging solutions to the Pakistani market to help extend the shelf-life of fresh produce, reduce wastage, and decrease the carbon footprint of the food system. Finnish companies with experience in cellular agriculture could also provide support and guidance in navigating the regulatory landscape associated with these new technologies.   |



| S.no | ESG dimension | Challenge   | Opportunity for Finland-Pakistan Business Collaboration   |
|------|---------------|---|---|
| 11   | Governance    | Lack of knowledge and education on food waste management and climate-friendly agricultural practices.   | Finnish organizations can partner with Pakistani institutions to provide training and education to consumers, businesses, and policymakers on food waste management and climate action in agriculture. They could also introduce education and training programs on cellular agriculture, spreading awareness of this innovative approach to food production.                                       |
| 12   | Governance    | Lack of systems for sharing excess food, leading to food wastage and inefficiencies in the food system. | Finnish businesses could introduce food-sharing systems like the Herkkupesä concept in Pakistan to reduce food waste. This could involve working with housing societies, community centres, or other organizations to set up systems for sharing excess food. The involvement of cellular agriculture could add a new dimension to these systems, providing a novel and sustainable source of food. |
| 13   | Governance    | Ensuring safety and quality standards for exported agricultural products.                               | Finnish companies can collaborate with Pakistani exporters to provide expertise and support in implementing and complying with international safety and quality standards for agricultural products. This can enhance the reputation and marketability of Pakistani agricultural products in the global market and ensure the continued growth and sustainability of the agriculture sector.        |

### SME Sector and ESG:

Small and Medium Enterprises (SMEs) play a pivotal role in the economic fabric of Pakistan, contributing significantly to its GDP, manufacturing output, and non-agricultural employment. However, these enterprises face many challenges across different dimensions of Environmental, Social, and Governance (ESG) spheres, including issues beyond their own organizational confines. One such issue, quite similar to many other developing countries, is environmental degradation, a problem that has grown particularly prominent in Pakistan over the last two decades.



The country has borne witness to numerous unexpected climatic events such as floods, droughts, and extreme temperatures. A recent report by Germanwatch paints a grim picture of Pakistan's future, suggesting continued climate vulnerability if urgent and comprehensive action isn't taken across all sectors. Adding complexity to the situation, the SME sector in Pakistan inadvertently contributes to the country's climate vulnerability through its business operations, which emit harmful air and water pollutants, including fumes, dust, and toxic particles. The neglect of SMEs to acknowledge and address their environmental impact only exacerbates the problem.

Despite the multitude of challenges, from high dependence on traditional energy sources, scarcity of skilled human resources, and regulatory constraints to infrastructure limitations, there remains a beacon of hope. The SME sector, with appropriate interventions and collaborations, has immense potential to pivot towards more sustainable practices. It can thereby not only reduce its environmental impact but also foster economic growth, reduce unemployment, and elevate per-capita income, simultaneously driving the country towards a more sustainable future.

| S.no | ESG dimension | Challenge   | Opportunity for Finland-Pakistan Business Collaboration  |
|------|---------------|---|--|
| 01   | Environmental | High dependence on traditional energy sources, waste management issues  | Collaborative research and development in renewable energy technologies, waste recycling practices   |
| 02   | Social        | Unemployment, social inequality, low value-added products, lack of strategic planning, low levels of financial literacy, unskilled human resources, lack of business opportunities, corruption  | Joint initiatives for skill development and capacity building, promoting social entrepreneurship, exchange of knowledge in strategic planning, financial literacy programs, anti-corruption initiatives, promoting technical education tailored to industry demands, enhancing management training for SME owners/managers   |
| 03   | Governance    | Regulatory constraints, lack of formal financial access, non-aggressive lending strategies by banks, changes in political regimes, legislation, taxation procedures, government interference, registration and license for work, corruption | Sharing of best practices in policy design, promotion of green financing initiatives, enhancing the banking sector's approach towards SMEs, policy stability, transparency in licensing and regulation, support for technology upgrade and Internet access for SMEs, promoting export awareness and international trade skills among SMEs, reducing bureaucratic burdens on SMEs |



| S.no | ESG dimension  | Challenge  | Opportunity for Finland-Pakistan Business Collaboration  |
|------|----------------|--|--|
| 04   | Cross-cutting  | Difficulty in transitioning towards green businesses, energy crisis, absence of an effective business information infrastructure, resistance to change, lack of business plans, viability reports, information on accounting, managerial, marketing and other technical skills, inability to adapt to new technology, lack of intellectual capital, outdated production facilities, non-competitive products, lack of standardization, obtaining standardized certificates | Exchange of knowledge and best practices, implementation of successful green business models, development of business information infrastructures, adoption of advanced technology, knowledge transfer in accounting, managerial, marketing and other technical skills, enhancing intellectual capital, promoting research and development initiatives, improving infrastructure in SME areas, developing comprehensive databases for SMEs |
| 05   | Economic       | Over-reliance on low value-added products, incapability to fully capitalize on growing world markets, scarcity of capital goods, lack of resources and data, high labour cost, lack of skilled human resources, insufficiency of funds   | Knowledge exchange and training in value-added industries, collaboration in market access initiatives, capacity building in data and resource management, labour cost and skill development initiatives, focus on entrepreneurial activities within smaller regions  |
| 06   | Infrastructure | Infrastructure constraints, power supply issues, poor communication system, lack of proper road transport and technical facilities   | Collaboration in building robust infrastructure, research and development in sustainable energy solutions, developing effective communication networks, improvements of roads and facilities in industrial estates, developing new estates with modern infrastructure and facilities   |

**Key Stakeholders:**

The ESG (Environmental, Social, and Governance) landscape of Pakistan encompasses a wide array of stakeholders, each playing a pivotal role in fostering sustainable and responsible business practices. These stakeholders span across multiple sectors and include the following:



| S.no | Stakeholder                           | Examples   | Role in the ESG Landscape of Pakistan   |
|------|---------------------------------------|--|---|
| 01   | Government Agencies                   | Ministry of Climate Change, Ministry of Industries & Production, Securities and Exchange Commission of Pakistan (SECP), Small and Medium Enterprises Development Authority (SMEDA) | They set and enforce relevant regulations and standards.  |
| 02   | Small and Medium Enterprises (SMEs)   |  | SMEs represent a significant part of the economy, they are essential for job creation, economic growth, and driving innovative sustainable business practices.  |
| 03   | Large Corporations                    | Manufacturing, energy, and mining companies  | Larger companies, particularly those in sectors with significant environmental impact, play a pivotal role in setting ESG standards and driving sustainability initiatives.                               |
| 04   | Financial Institutions                | Banks, microfinance institutions, insurance companies, and investment funds  | They influence ESG practices through their lending, investment, and insurance policies.   |
| 05   | Non-Governmental Organizations (NGOs) | Manufacturing, energy, and mining companies  | NGOs often work to address ESG issues, particularly in environmental conservation and social development. They play a significant role in the advocacy, education, and implementation of ESG initiatives. |
| 06   | Academic and Research Institutions    | Universities think tanks, and research institutions  | They contribute to the ESG landscape by conducting research on ESG issues, proposing solutions, and training future leaders.  |
| 07   | International Organizations           | World Bank, International Finance Corporation (IFC), and United Nations (UN) bodies  | They influence ESG practices in Pakistan through funding, policy advice, and technical assistance.  |
| 08   | Civil Society                         | The general public, consumers, employees   | They can influence ESG practices by choosing to support companies that prioritize sustainable and responsible practices.  |
| 09   | Media                                 |  | The role of media is crucial in raising awareness about ESG issues, showcasing best practices, and holding companies and governments accountable.   |



| S.no | Stakeholder                                    | Examples   | Role in the ESG Landscape of Pakistan   |
|------|--|--|---|
| 10   | National Financial and Regulatory Institutions | Pakistan Stock Exchange (PSX), Central Depository Company (CDC), State Bank of Pakistan (SBP)  | They drive transparency and promote good governance, also influence financial practices related to ESG.                             |
| 11   | Business Associations and Chambers             | Federation of Pakistan Chambers of Commerce and Industry (FPCCI), Overseas Investors Chamber of Commerce and Industry (OICCI), American Business Council (ABC), Local Chambers of Commerce | They advocate for sustainable business practices, policies, and regulations at a national and grassroots level among their members. |



## Case Examples: ENSOGOV:

ENSOGOV (ESG Consulting (Private) Limited) helps businesses to simplify their ESG transition. Its service portfolio includes Advocacy, ENSOGOV Sprints, Technology & Data, Sustainability

Reporting & Disclosures and Funding Support for the business. It co-creates bitesize ESG-focused sprints for business to accelerate their ESG journey.



### ESG Simplified.

**Achieve your economic and sustainability goals with ENSOGOV**

ENSOGOV is a technology, data and professional services company. We provide **simple and accelerated journeys** to achieve economic and sustainability goals.

Our solutions are backed by well-tested, industry-specific interventions, global data sets and **easy-to-use platform**.

ENSOGOV collaborates with businesses to **measure, manage and report** industry-relevant ESG metrics. We co-create ESG transition journeys to deliver on growth ambitions and superior profitability.



### Reduce costs, risks and decarbonise your business.

#### Advocacy & Communication

Connect with your stakeholders

Our team of experts assist in developing engagement strategies for investors, industrial cooperation, customers, communities, employees, vendors and regulators.

Unlock power of the network with the key of trust.

#### ENSOGOV Sprints

Measure, manage, record, forecast, verify and report

ENSOGOV Sprints are predefined, structured interventions for implementing specific ESG metrics.

Each ENSOGOV Sprint combines well-tested and industry-specific interventions for business goals, global benchmarks, project plans and tracking tools.

Our AI driven recommendation engine offers customized solutions for your business goals: egscope-1, scope-2 and scope-3 carbon emissions.

The beginning is the most essential part of the work.

#### Carbon Monetisation

Innovate, develop and trade carbon credits

ENSOGOV supports businesses and investors through the journey of project ideation to carbon development to carbon monetisation phase across the globe.

#### Access to Green Capital

Connect with global funds for your sustainability led projects

ENSOGOV team helps connect businesses with relevant funds to access capital for ESG transition or expansion plans

#### How would it help build connections? examples

- Build **brand trust and reputation** among the key stakeholders
- Gain **customers, employees and community** support
- **Collaborate** with the industry
- Engage with **policy makers**
- Drive change across your **value chain**

#### How would it help implement the ESG framework? examples

- Assess **ESG risks & opportunities**
- Achieve minimum viable compliance
- Sustainability **reporting & disclosures**
- Measure and manage **carbon footprint, emissions and waste**
- Sustainable **building designs, infrastructure and operating model**
- Build a sustainable **supply chain and materials**
- Benchmark **workforce productivity**

#### How would it help convert your progress into a financial gain? examples

- Develop **carbon negative strategy**
- Trade or offset carbon credits
- Build carbon projects as part of an **investment portfolio**



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### PICG:

The Pakistan Institute of Corporate Governance (PICG) was established in 2004 as a public-private partnership through a memorandum of understanding (MOU) signed between two apex regulators, namely the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP), along with 18 private sector institutions.

This initiative coincided with the release of a revised version of the first set of corporate governance principles by the Organization for Economic Cooperation and Development (OECD) in the same year, aimed at assisting governments, both OECD and non-OECD, in creating legal and regulatory frameworks to promote corporate governance within their respective countries.

Since its inception, PICG has been dedicated to promoting the six OECD principles of effective corporate governance in Pakistan's corporate ecosystem. One of its notable initiatives, the Director Training Program (DTP), was launched in February 2007 with technical support from the International Finance Corporation (IFC). This program, which aligns with the training requirements outlined by the SECP, provides 40 hours of comprehensive training. Additionally, the Directors Orientation Workshop serves as a subsidiary program of the DTP.

As of December 2021, PICG has completed 17 years as Pakistan's leading corporate governance institute. Over this decade and a half, the institute has established a strong presence and has made significant strides. With a membership exceeding 150 corporates and individuals, along with over 1,400 certified directors, PICG has made substantial

contributions to its members and the broader business community by fostering the development of an ecosystem that prioritizes good governance.

The institute's focus remains on engaging boards, C-suite executives, and the wider business and finance community through an ongoing strategy that provides lifelong learning opportunities, particularly through continuing professional education.

### The Charter of Integrity for SMEs (developed by SEED Ventures in collaboration with FCDO):

In 2018, the UK Government launched the Business Integrity Initiative (BII) to improve its offer for businesses seeking to succeed in emerging markets. This initiative was a joint effort of the UK Department for Foreign and Commonwealth Development Office (FCDO) and the UK Department for International Trade (DIT). It was based on the requests from over 100 companies consulted in 2017/2018 as part of the initiative's scoping phase.

The initiative was designed to provide practical guidance on integrity-related issues such as bribery and human rights concerns to businesses that wanted to trade with and invest in new markets. The initiative primarily targeted small and medium-sized enterprises (SMEs) because smaller businesses tend to be more vulnerable to bribery and corruption abroad, face specific challenges when exporting, and need tailored support. Pakistan was selected as one of three



pilot countries of the Business Integrity Initiative, along with Mexico and Kenya. One of the core components of BII was the design of a Charter of Integrity for SMEs, which could also be referred to as a code of conduct or code of ethics.

This charter was developed by SEED. It explained key policies on anti-corruption and bribery, human rights issues such as slavery, bonded and forced labour, fraud and conflict of interest, occupational health and safety, environmental stewardship, and compliance. By implementing these policies, SMEs would not only be able to mitigate the associated risks of unethical practices but could also position themselves as responsible and ethical vendors and potential business partners to British companies.

As part of this project, guidance was provided to UK companies who wanted to export or invest in Pakistan through the Business Integrity Consultancy Service based out of the Business Integrity Hub in London. The entire program was monitored by an external organization that provided independent reporting and recommendations. This charter is based on the principles of justice, fair treatment and transparency.

Charter aims to consolidate the relevant integrity standards in one place and encourage businesses to consider these as a tool for behavior management and decision-making. This charter has eight integrity principles which provide strong ethical foundation, which leads to strong ethical reputation. Each principle, mentioned as commitments, contains a repository of relevant tools to practice which companies should put in place, based on their business and risk size. Monitoring is a key component of integrity programme success. This ensures focus of

leadership in effective use of this charter as a business tool, exploring and understanding of the risk factors, detection of violations of the charter and achievement of the results. In this charter, a number of monitoring tools are given under each principle. These tools would be helpful for the company to monitor their performance and identifying the shortcomings in the policies.



## Conclusion:

In the face of environmental hazards such as water scarcity, deforestation, and the loss of biodiversity, businesses operating within Pakistan must navigate a dynamic terrain. This landscape, characterized by regulatory uncertainty due to evolving environmental policies and potential operational disruptions from climate change impacts and natural disasters, offers both risks and opportunities. With Pakistan being one of the top ten countries affected by climate change, having incurred an estimated annual cost of \$3.8 billion, and ranking 169 out of 180 countries in the Environmental Performance Index 2020, businesses must be adaptive.

Despite these challenges, the environmental landscape of Pakistan offers unique business opportunities. With the rising demand for green services and products like renewable energy, sustainable agriculture, and green finance, companies have the opportunity to tap into a promising market. Government and international initiatives like the China-Pakistan Economic Corridor (CPEC), the Green Stimulus Package, and the UN Sustainable Development Goals (SDGs) offer incentives and pathways for businesses to create value while addressing the specific environmental needs of Pakistan.

In this context, international collaborations like those between Finland and Pakistan become critical. As a leading nation in environmental performance and innovation, Finland can share its expertise in environmental management to assist Pakistan in mitigating environmental risks, improving governance standards, and enhancing resilience to climate change. For instance, Finland's knowledge in developing the renewable energy sector and facilitating green finance could prove invaluable for Pakistan.

Similarly, the social landscape of Pakistan is

marked by inequality, poverty, and a significant gender gap, posing a multitude of risks to businesses, including labour shortages, social unrest, and legal liabilities. However, these risks also highlight the scope for social development initiatives. Businesses can contribute to social progress in Pakistan by offering fair wages, promoting health and safety standards, and engaging with the community. Government and international initiatives like the Ehsaas Program, Naya Pakistan Housing Scheme, and the UN SDGs offer avenues for businesses to foster social well-being.

Finland, with its high social performance, can assist Pakistan in bridging these gaps, particularly in the fields of education and healthcare. Collaboration can lead to improved social policies, better human capital development, and increased social cohesion.

Governance, another critical factor, has been in focus since the early 2000s when Pakistan began to establish a regulatory framework for corporate entities. The Securities Exchange Commission of Pakistan (SECP) developed a unique code of corporate governance, resulting in long-term sustainable growth for companies adhering to principles of transparency and accountability. Despite significant progress, challenges such as political instability, weak institutions, and a lack of transparency continue to pose considerable risks.

However, these challenges also highlight the need for stronger governance practices. Compliance with laws and regulations, implementing anti-corruption measures, promoting diversity, and respecting human rights can lead to better business ethics and standards. Initiatives such as the Corporate Social Responsibility (CSR) Voluntary Guidelines 2013 and the Code of Corporate Governance

Guidelines 2017 provide a framework for integrating sustainability into business operations. Businesses can also look for innovative solutions to address governance challenges, for instance, digital solutions for tax collection and administration.

Finland's expertise in governance performance can be beneficial in mitigating these risks. With its political stability and high institutional quality, Finland can assist Pakistan in improving its governance systems, enhancing public sector efficiency, and combating corruption. This collaboration could include supporting efforts to strengthen Pakistan's anti-corruption framework or developing the digital governance sector.

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# Pakistan's Foreign Direct Investment Landscape

## 7.1 Overview of Market Entry Strategies in Pakistan

Pakistan, a rapidly growing economy in South Asia, offers a multitude of opportunities for businesses looking to enter and expand in the market. With a population exceeding 220 million, a strategic geographic location, and a highly skilled yet cost-effective workforce, the country is an attractive destination for businesses. Comprehending the dynamics of the Foreign Direct Investment (FDI) landscape is a critical precursor to strategizing a successful entry into the Pakistani market. An in-depth understanding of the opportunities, challenges, and nuances of FDI in Pakistan allows businesses to formulate efficacious market entry strategies tailored to their unique needs.

### 7.1.1 Impact of Foreign Direct Investment Policies on Market Entry Strategies in Pakistan

As per the World Investment Report 2022 by UNCTAD, Pakistan attracted a steady inflow of USD 2.1 billion as FDI in 2021, remaining consistent with the preceding year's figures. Consequently, the total accumulation of FDI reached a notable USD 32.9 billion, which equates to approximately 9.5% of Pakistan's GDP. A sector-wise breakdown reveals that the lion's share of FDI was absorbed by the financial sector, trailed by the chemicals industry and the construction sector. In terms of countries investing in Pakistan, China holds the top position by a significant margin. However, recent times have seen the United Kingdom, South Korea, and Japan intensify their investments. The State Bank of Pakistan's latest data reports an inflow of USD 1.86 billion as FDI in the 2022 fiscal year, as a result of USD 2.622 billion inflows offset by an outflow of USD 754.7 million.



Notably, Chinese investment, despite witnessing a 29% dip due to a slowdown in China-Pakistan Economic Corridor (CPEC) related projects, remained the most consistent, accounting for around USD 531.6 million. The following spots were secured by the U.S. (USD 249.6 million) and Switzerland (USD 146 million). The major sectors attracting FDIs included energy (USD 737 million), financial services (USD 405 million), and oil and gas (USD 195 million).

Pakistan's allure as a potential investment destination trails behind neighbouring India but matches that of Sri Lanka and Bangladesh. The appeal of Pakistan as an investment hub is improving gradually, albeit amidst challenging circumstances marked by security concerns, electricity deficits, and a demanding investment environment that pose barriers to investments. Except for Indian and Israeli citizens/businesses, foreign investors have the liberty to establish, operate, own, and liquidate interests in most businesses in Pakistan, with exclusions being sectors involved in arms and ammunition; high explosives; radioactive substances; securities, currency and mint; and consumable alcohol.

Furthermore, Pakistan grants companies permission to repatriate the proceeds from disinvestments to their overseas shareholders without necessitating prior approval from the State Bank. According to the 2022 rankings, Pakistan secures the 87th position out of 132 in the Global Innovation Index and stands at 140th out of 180 in the Corruption Perception Index. Moreover, it ranks 73rd among 82 countries in the Economist Business Environment ranking.



**Summary of Foreign Investment in Pakistan**

|                                   | FY20           | FY21           | FY22           | April         |                     | Jul-Apr        |                     | Change over Jul-Apr FY22 |                |
|-----------------------------------|----------------|----------------|----------------|---------------|---------------------|----------------|---------------------|--------------------------|----------------|
|                                   |                |                |                | 2022          | 2023 <sup>(P)</sup> | FY22           | FY23 <sup>(P)</sup> | Actual                   | %age           |
|                                   |                |                |                | Million US\$  |                     |                |                     |                          |                |
| <b>Foreign Private Investment</b> | <b>2,315.8</b> | <b>2,027.1</b> | <b>1,548.4</b> | <b>153.6</b>  | <b>127.8</b>        | <b>1,165.7</b> | <b>1,169.2</b>      | <b>3.5</b>               | <b>0.3</b>     |
| <b>Direct Investment</b>          | <b>2,597.5</b> | <b>1,820.5</b> | <b>1,935.9</b> | <b>170.6</b>  | <b>121.6</b>        | <b>1,523.7</b> | <b>1,170.1</b>      | <b>(353.6)</b>           | <b>(23.2)</b>  |
| Inflow                            | 3,322.1        | 3,061.4        | 2,692.5        | 194.4         | 147.3               | 2,231.8        | 1,770.6             | (461.1)                  | (20.7)         |
| Outflow                           | 724.6          | 1,240.9        | 756.6          | 23.8          | 25.6                | 708.1          | 600.6               | (107.5)                  | (15.2)         |
| of which Privatization Proceeds   |                |                |                |               |                     |                |                     |                          |                |
| <b>Portfolio Investment</b>       | <b>(281.7)</b> | <b>206.6</b>   | <b>(387.5)</b> | <b>(16.9)</b> | <b>6.1</b>          | <b>(357.9)</b> | <b>(0.9)</b>        | <b>357.1</b>             | <b>99.8</b>    |
| Equity Securities                 | (281.7)        | (293.4)        | (387.5)        | (16.9)        | 6.1                 | (357.9)        | (0.9)               | 357.1                    | 99.8           |
| of which Privatization Proceeds   |                |                |                |               |                     |                |                     |                          |                |
| Debt Securities                   |                | 500.0          |                |               |                     |                |                     |                          |                |
| <b>Foreign Public Investment</b>  | <b>(241.3)</b> | <b>2,555.3</b> | <b>309.5</b>   | <b>(29.1)</b> | <b>1.1</b>          | <b>473.5</b>   | <b>(1,009.6)</b>    | <b>(1,483.1)</b>         | <b>(313.2)</b> |
| <b>Portfolio Investment</b>       | <b>(241.3)</b> | <b>2,555.3</b> | <b>309.5</b>   | <b>(29.1)</b> | <b>1.1</b>          | <b>473.5</b>   | <b>(1,009.6)</b>    | <b>(1,483.1)</b>         | <b>(313.2)</b> |
| Equity Securities                 | -              | -              | -              | -             | -                   | -              | -                   | -                        | -              |
| Debt Securities *                 | (241.3)        | 2,555.3        | 309.5          | (29.1)        | 1.1                 | 473.5          | (1,009.6)           | (1,483.1)                | (313.2)        |
| <b>Total Foreign Investment</b>   | <b>2,074.5</b> | <b>4,582.4</b> | <b>1,857.8</b> | <b>124.5</b>  | <b>128.9</b>        | <b>1,639.2</b> | <b>159.6</b>        | <b>(1,479.6)</b>         | <b>(90.3)</b>  |

Source: State Bank of Pakistan  
(P) : Provisional  
(R) : Revised

**7.1.2 Embracing Economic Growth Through Inward Investment**

In a bid to augment economic growth, Pakistan is making strides to attract foreign direct investment, particularly focusing on the energy, agribusiness, information and communications technology, and industrial sectors. Since 1997, it has adopted and upheld an investment environment that is largely welcoming and open to foreign stakeholders. The Investment Policy Matrix is provided as forth:

| Policy Parameters                               | Manufacturing Sector  | Non-Manufacturing Sectors   | Agriculture        | Infrastructure & Social Services | IT & Telecom     |
|---|---|---|--------------------|----------------------------------|------------------|
| Government permission(s)                        | Not required except for 4 specified Industries <sup>a</sup> | Not required except for specific licenses from concerned agencies |                    |                                  |                  |
| Remittance of capital, profits, dividends, etc. | Allowed   | Allowed   |                    |                                  |                  |
| The upper limit of foreign equity allowed       | 100%  | 100% <sup>b</sup>   | 60:40 <sup>c</sup> | 100%                             | 49% <sup>d</sup> |
| Customs duty on import of PME*                  | 5%  | 0%  | 5%                 | 0-5%                             |                  |
| Royalty and technical fee                       | No restriction for payment of royalty & technical fee       | Allowed as per guidelines of Foreign Exchange Manual 2020         |                    |                                  |                  |



Notes:

- a. Specified Industries are: Arms and ammunitions; High Explosives; Radioactive substances; Security Printing, Currency and Mint
  - b. Corporate Agriculture Farming (CAF) only
  - c. Other than CAF (60% to Foreigner)
  - d. Financial Business and Airline
- PME = Plant, Machinery and Equipment  
IDA = Initial Depreciation Allowance  
Source: BOI

**7.1.3 Stakeholder Analysis for Foreign Investment in Pakistan**

To successfully navigate the business landscape in Pakistan as a foreign investor, understanding the relevant stakeholders is crucial. These stakeholders span from government agencies to regulatory bodies, and service providers, each playing specific roles in different sectors and processes related to doing business in Pakistan. The table below offers an overview of these stakeholders, outlining their roles and their relevance to foreign investors. This analysis is aimed to provide a foundational understanding of the players involved, facilitating better decision-making and strategic planning for potential foreign investors.

| Stakeholder  | Role   | Relevance to Foreign Investors  |
|--|--|---|
| Ministry of Science and Technology                       | Encourages public and private organizations to standardize products and services according to ISO standards.   | Helps investors understand and meet standardization requirements, which can enhance the quality and competitiveness of their products/services.   |
| Ministry of Commerce                                     | Co-sponsors an incentive program with the Ministry of Science and Technology for entrepreneurs to facilitate their ISO certification.  | Provides financial incentives for achieving ISO certification, which could be beneficial to foreign investors looking to enhance their business operations.   |
| Pakistan Standards and Quality Control Authority (PSQCA) | Establishes and enforces national standards, registers inspection agencies, and assesses industrial raw materials and finished products for compliance with international standards.   | Ensures investors' businesses are compliant with local and international standards, which can affect the business's marketability and legality.   |
| State Bank of Pakistan (SBP)                             | Regulates company financial transactions, sets regulations for foreign banks and financial institutions to operate in Pakistan, and requires permission for transfer of 5% or more shares of any bank or financial institution by foreign investors. | Provides guidelines for financial operations and transactions, ensuring compliance and smooth operation of business. Also, it is crucial for transactions involving shares in banks and financial institutions. |

| Stakeholder   | Role  | Relevance to Foreign Investors   |
|---|---|--|
| Pakistan Telecommunication Authority (PTA)  | Regulates telecommunication services in Pakistan and issues licenses and clearances to foreign companies.   | Essential for any foreign investor planning to operate in the telecommunications sector, ensuring that they are compliant with local regulations.              |
| Securities and Exchange Commission of Pakistan (SECP)   | The main regulatory body for foreign companies operating in Pakistan. Responsible for the registration of companies. Oversees the acquisition of more than 10% stake in an insurance company. | A critical resource for investors during the process of establishing a legal business entity in Pakistan. Also, regulates shareholding in insurance companies. |
| Central Depository Company of Pakistan Limited (CDCPL)  | Provides approval for any public offer of securities for sale or capital issues.  | Crucial for foreign investors seeking to raise capital through public offerings of securities.   |
| Pakistan Engineering Council (PEC)  | Regulates engineering consulting companies. Foreign engineering consulting companies must register with the PEC to operate in Pakistan.   | Essential for foreign investors in the engineering consulting sector to be legally recognized and operate in Pakistan.   |
| Ministry of Finance   | Responsible for the declaration of foreign investment in an existing Pakistani company.   | Ensures that foreign investment in an existing Pakistani company is registered and regulated.  |
| Board of Investment   | Deals with matters related to foreign investment in the country.  | Assists foreign investors in understanding the investment climate, regulations, and opportunities in the country.  |
| Trade Development Agency of Pakistan (TDAP)   | Works to enhance export performances and coordinate activities of trade promotion in Pakistan.  | Crucial for foreign investors in terms of understanding trade dynamics, potential markets and export opportunities for their products.                         |
| K-Electric  | Provides electric power supply in the Karachi area.   | Important for investors who require electricity supply in Karachi for their operations.  |
| Sui Northern Gas Pipelines Limited and Sui Southern Gas Company Limited                                       | Provide gas distribution service.   | Gas utilities are vital for the functioning of numerous businesses.  |
| Pakistan Telecommunications Company Limited (PTCL)  | Provides fixed-line telecommunication services.   | Critical for businesses that require fixed-line telecommunications.  |
| Internet and Broadband Providers (PTCL, Nayatel, WorldCall, Qubee, Link Dot Net, Wateen, WiTribe and Comsats) | Provide internet and broadband services.  | Internet is essential for most modern businesses.  |



| Stakeholder                                    | Role  | Relevance to Foreign Investors   |
|--|---|--|
| Local government municipal authorities         | Provides utilities and enforces local regulations.                      | Vital for obtaining necessary permissions and compliance with local regulations.       |
| Provincial Chief Inspector of Industries       | Oversees compliance with industrial regulations and safety standards.   | Ensures that businesses comply with safety standards and other industrial regulations. |
| Federal Board of Revenue                       | Collects taxes and duties.  | Investors need to comply with tax laws and understand their tax obligations.           |
| Registrar of Joint Stock Companies             | Handles registration of joint stock companies.                          | Important for the establishment and registration of joint stock companies.             |
| Intellectual Property Organization of Pakistan | Handles issues related to intellectual property rights.                 | Essential for protection and enforcement of intellectual property rights.              |
| National Electric Power Regulatory Authority   | Regulates the electricity supply industry.                              | Important for businesses requiring electricity for their operations.                   |
| Oil and Gas Regulatory Authority               | Regulates the oil and gas industry.                                     | Important for businesses in or relying on the oil and gas industry.                    |
| Alternate Energy Development Board             | Promotes and facilitates the development of renewable energy resources. | Vital for businesses interested in the renewable energy sector.                        |

#### 7.1.4 Regulatory Framework

In Pakistan, the drive towards enhancing regulatory transparency and the enactment of effective policies to encourage a competitive market landscape in a nondiscriminatory manner often falls short. The Competition Commission of Pakistan is vested with the task of facilitating competition in the marketplace, yet the legislative and regulatory structures remain ambiguous, differing across provinces, and occasionally used to favour domestic enterprises.

All Pakistani businesses, both domestic and foreign, are mandated to comply with certain regulatory processes supervised by the chambers of commerce and industry. Instances where these stipulations have been manipulated to discriminate against foreign, including U.S., investors are unknown to this date.

The accountability of formulating and administering the legal and regulatory guidelines falls under the purview of the Pakistani government, with sub-national governments playing a part based on the sector. Although non-governmental entities and private sector organizations can offer feedback on policies and regulations prior to their execution, the government is under no obligation to incorporate their suggestions.

Post-implementation reviews of regulations, in association with relevant stakeholders, are conducted by regulatory authorities, but these evaluations are not publicly accessible. With the introduction of the 18th amendment to Pakistan's constitution in 2010, foreign companies must comply with local, provincial, and federal laws, leading to complaints about inconsistency in the application of laws by different regulatory bodies. Nevertheless, there are no explicit rules discriminating against U.S. firms or investors.

While the Security and Exchange Commission of Pakistan (SECP) oversees foreign companies operating in Pakistan, it is not the only regulatory authority. The State Bank of Pakistan (SBP) regulates company financial transactions, labour falls under the Social Welfare or the Employee Old-Age Benefits Institution (EOBI), and sector-specific functions in energy are handled by the National Electric Power Regulatory Authority (NEPRA), the Oil and Gas Regulatory Authority (OGRA), and the Alternate Energy Development Board (AEDB). These bodies operate independently but are required to pass draft regulatory or policy changes through the Ministry of Law and Justice before submission to parliament or, in some instances, the executive branch.

While SECP is tasked with establishing accounting standards for companies in Pakistan, their execution often lacks efficiency. Not all International Financial Reporting Standards have been adopted by Pakistan, and although the legal, regulatory, and accounting systems are generally in line with international norms, their execution is frequently inefficient and opaque.

Companies in Pakistan are required to disclose environmental, social, and governance (ESG) aspects of their projects. However, due to the absence of a unified regulatory mechanism or centralized regulation for such requirements, they must collaborate with different entities, including the Ministry of Climate Change for environmental disclosures, EOBI for social disclosures, and SECP for governance disclosures. The implementation and monitoring mechanisms for these requirements are often weak and not transparent.

While most draft legislation is open to public scrutiny, there is no central agency to gather public feedback. As a result, the relevant authorities, typically the ministry responsible for the proposed legislation, collect public responses as needed. However, the input of chambers and associations, such as the American Business Council (ABC) and Overseas Investors Chamber of Commerce and Industry (OICCI), is prioritized over an online public review of regulations.

There is no central online repository where crucial regulatory actions are published. Different regulatory bodies post their regulations and actions on their respective websites, with implementing actions often not published online.



Businesses adversely affected by non-compliance with government regulations can seek redress from judicial entities, Ombudsman's offices, and the Parliamentary Public Account Committee, designed to ensure the government adheres to required administrative procedures.

Pakistan has not introduced any enforcement reforms in the past year. However, efforts to update the country's IPR laws for consistency and improved enforcement are underway, with draft amendments on trademark, patent, and copyright legislation in process. Properly drafted and implemented updates aligned with international IP treaties could enhance IPR enforcement in Pakistan, potentially encouraging foreign investors to introduce innovations in the country. Enforcement procedures can be legally reviewed, primarily by specialized IP Tribunals, and subsequently by the High and Supreme Courts of Pakistan. However, the digitalization of these processes remains limited.

There is no unified set of standards defining responsible business conduct (RBC) in Pakistan. Though large companies, especially multi-national corporations, exhibit awareness of RBC standards, broader awareness is lacking. The Pakistani government has not established standards or strategic documents specifically defining RBC standards and goals. The Ministry of Human Rights published its most recent "Action Plan for Human Rights" in May 2017. Although it does not specifically address RBC or business and human rights, one of its six thematic areas of focus is the implementation of international and UN treaties. Pakistan is a signatory to nearly all International Labor Organization (ILO) conventions.

#### 7.1.4.1 Promoting Regulatory Transparency and Laws and Regulations on Foreign Direct Investment

Regulatory transparency in Pakistan is often inconsistent due to the legislative and regulatory structures being ambiguous and differing across provinces. The Competition Commission of Pakistan, established in 2007, is vested with the task of facilitating competition in the marketplace and ensuring that organizations are not involved in any anti-competitive or monopolistic practices.

The Commission is legally empowered to investigate complaints and impose penalties, with its decisions reviewable by an appellate tribunal and the Supreme Court of Pakistan. In terms of foreign direct investment (FDI), Pakistani laws do not discriminate against foreign entities, and they permit wholly owned subsidiaries with 100 percent foreign equity in most sectors, such as education, health, infrastructure, and corporate agriculture farming. In the agricultural sector, a 60 percent foreign ownership threshold applies, barring the aforementioned exception. However, enforcement of contracts remains problematic due to a weak and inefficient judiciary, which occasionally cites British legal decisions in court rulings under certain circumstances.

Most foreign companies operating in Pakistan are incorporated as "private limited companies," with a minimum of two shareholders and two directors registered with the Security and Exchange Commission of Pakistan (SECP). While no specific residency requirements exist for company directors, the chief executive must reside in Pakistan for daily operations and is required to obtain a multiple-entry work visa if not a Pakistani

national. Companies are also required to retain full-time audit services and legal representation and report any changes within 15 days to the SECP.

As for company incorporation, to mitigate process delays, the SECP introduced a provisional "Certificate of Incorporation," which indicates that company shares will be transferred if foreign shareholders or directors fail to obtain a "No Objection Certificate." This process has been in place since 2013. Although the country lacks a centralized "single window" website providing direct access to all relevant laws, rules, and reporting requirements for investors, no new law, regulation, or judicial decision negatively impacting foreign investors has been announced or implemented during the last year.

#### 7.1.4.2 Competition, Antitrust Laws, And Expropriation and Compensation

Under the Competition Commission of Pakistan, investigations into anti-competitive practices such as cartels in the cement and banking sector, as well as price fixing in the sugar industry, have been undertaken. As of 2022, the investigations had not reached their final stages.

Two key legislative instruments, the Protection of Economic Reforms Act 1992 and the Foreign Private Investment Promotion and Protection Act 1976 offer protections against expropriation of foreign investments in Pakistan. Pakistan's history of expropriation is not strong, and the 2013 Investment Policy further underscores the government's commitment to protecting foreign investor interests.

#### 7.1.4.3 Dispute Settlement and Bankruptcy Regulations

Pakistan is a member of the International Center for the Settlement of Investment Disputes (ICSID) and ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention) in 2011. The country has Bilateral Investment Treaties (BIT) with 32 countries, which include binding international arbitration of investment disputes. Due to a lack of trust in the domestic courts to enforce commercial contracts, foreign investors often include provisions for international arbitration in contracts with the Pakistani government.

Domestic courts also allow for arbitration and specialized judicial tribunals as alternative dispute resolution mechanisms, although the resolution process can be lengthy and the courts have not upheld some international arbitration awards. Pakistan's local courts do not enforce foreign arbitral awards without direction from a local court, and rulings often favour state-owned enterprises in investment disputes with foreign entities on the basis of "public interest." A classic example of an unresolved international arbitral award is the Reko Diq mining dispute.

In terms of bankruptcy regulations, Pakistan does not have a comprehensive bankruptcy law. The Companies Act 2017 and the Banking Companies Ordinance of 1962 govern foreclosures and liquidations, respectively, but the process is often protracted and requires court-appointed liquidators. The average time to resolve insolvency issues is 2.6 years, with a recovery rate of 42.8 percent. Pakistan's ranking on the World Bank's Doing Business 2020 report for "resolving insolvency" is 58 out of 190.





#### 7.1.4.4 Foreign Investment Landscape and Restrictions

Foreign investors, with the exception of entities from India and Israel, enjoy the freedom to establish, own, operate, and divest from most types of businesses in Pakistan. This rule excludes specific sectors like arms and ammunition, high explosives, radioactive substances, securities, currency and mint, and consumable alcohol.

Notably, there are no specific restrictions against U.S. investors or rules permitting domestic entities to discriminate against foreign investment. Pakistan has a liberal approach to foreign ownership and control, stemming from the 2013 Investment Policy, which eliminated minimum initial capital requirements across sectors. This policy allows unlimited foreign equity, with exceptions for the airline, banking, agriculture, and media sectors, where waivers for these limitations would need the cabinet and prime minister's approval.

In the services sector, foreign investors can retain full ownership, provided they obtain necessary permissions, including a "no objection certificate" and a license from the relevant agency, and comply with the respective sectoral policy. The sectors of education, health, and infrastructure allow complete foreign ownership. While the agriculture sector allows up to 60% foreign ownership, corporate agriculture farming permits 100% foreign control.

It's noteworthy that small-scale mining operations valued under PKR 300 million (approximately \$1.7 million) are exclusively for Pakistani investors. Foreign banks can establish locally incorporated subsidiaries and branches, given they have \$5 billion in paid-up capital or membership in a regional organiza-

tion to which Pakistan also belongs (like the Economic Cooperation Organization (ECO) or the South Asian Association for Regional Cooperation (SAARC)). In the absence of these qualifications, foreign banks can acquire up to a 49% stake in locally incorporated subsidiaries.

The manufacturing sector enjoys freedom from restrictions on payments of royalties and technical fees. However, other sectors face some limits, such as a \$100,000 cap on initial franchise investments and a limit on subsequent royalty payments of 5% of net sales for a period of five years. These payments are subject to remittance restrictions as outlined in Chapter 14, Section 12 of the State Bank of Pakistan (SBP) Foreign Exchange Manual.

Lastly, Pakistan has mechanisms in place for screening incoming foreign investments. The Board of Investment (BOI) is responsible for this process. Any foreign investment deemed as potentially threatening to Pakistan's national security can be blocked. Due to the BOI's limited in-house capacity, intelligence agencies play a significant role in carrying out the necessary due diligence.

#### 7.1.4.5 Foreign Currency Remittance and Tax Exemptions

The Income Tax Ordinance of Pakistan, enacted in 2001, bestows tax exemptions on any sum of foreign currency remitted from abroad through standard banking channels. There is permission to remit full capital, profits, and dividends exceeding \$5 million, and these dividends are free from tax. Pakistani law sets no boundaries on dividends, remittance of profits, debt service, capital, capital gains, returns on intellectual property, or payments for imported equipment.



Despite this, transactions of substantial magnitude, capable of influencing Pakistan's foreign exchange reserves, mandate approval from the government's Economic Coordination Committee. Similarly, banks are obliged to keep a record of outflows of foreign currency. Any investor remittances must be registered with the State Bank of Pakistan (SBP) within a 30-day window from execution and can only be made in compliance with a valid contract or agreement.

#### 7.1.5 Sector-Specific Policies: A Magnet for Investors

To enhance its Investment Policy, Pakistan has introduced sector-specific policies to provide supplementary incentives to investors in those particular sectors. Details are as forth:

| S.no | Information Technology   | Incentive  | Detail  |
|------|--|--|---|
| 01   | Tax Credit Regime for export of IT & ITes Businesses               | 100% tax credit                                      | Income from the export of IT & ITes is eligible for tax credit if 80% of export proceeds are brought into Pakistan through normal banking channels.   |
| 01   | Tax Credit Regime and Specific Provision for Startups              | Tax exemption on payments made to startups           | PSEB-registered startups with turnover below one hundred million in each of the last five tax years are eligible for tax credit regime.   |
| 01   | One per cent tax on the proceeds of exports                        | 1% final tax on income from IT & IT-enabled services | If an entity meets the conditions prescribed under section 65F but does not bring 80% export proceeds into Pakistan, a final tax of 1% is applicable on the income from IT & IT enabled services. |
| 01   | Sales Tax exemption on export of IT Services in Islamabad          | Zero rate of sales tax                               | Persons engaged in export of IT & ITes in Islamabad are exempted from sales tax under Islamabad Capital Territory (Tax on Services) Ordinance, 2001.  |
| 01   | Provision of IT enabled office space in Software Technology Parks  | IT enabled office space with facilities              | Thirteen STPs established by PSEB provide IT enabled office space with a wide range of facilities.  |
| 01   | Up to 100% repatriation of profits for foreign IT & ITes investors | Zero rate of sales tax                               | Foreign IT & ITes investors can repatriate profits, dividends, or any other funds in the currency of the country from which the investment originated.  |



| S.no | Information Technology  | Incentive  | Detail   |
|------|---|--|--|
| 01   | 35% of export earnings can be retained in foreign currency                    | Retention of 35% export earnings in foreign currency | Exporters of software can retain up to 35% of their export earnings in Special Exporters Foreign Currency accounts.                        |
| 01   | Low sales tax rate on IT based services in Punjab                             | Exemption from sales tax in Sindh province           | Sales tax rate for IT-based services provided by Call Centers in Punjab has been reduced to 16%.   |
| 01   | Reduced rate of sales tax on IT based services in KPK                         | Low sales tax rate in KPK province for IT services   | IT-based services in KPK are liable to a sales tax rate of 2.5%, while IT-based consultancy professionals are liable to 5% sales tax rate. |
| 01   | Low rate of sales tax on Information Technology based services in Balochistan | 6% sales tax rate                                    | IT & IT-enabled services under tariff heading 9868.000 in Balochistan province are subject to a sales tax rate of 6%.                      |

| S.no | Electric Vehicles   | Incentive                               | Detail   |
|------|---|---|--|
| 01   | No customs duty on the import of plant and machinery for the manufacture of EVs | Duty-free import of plant and machinery | Import of plant and machinery for the manufacture/assembly of Electric Vehicles is exempted from customs duty, subject to Engineering Development Board certification.   |
| 01   | No Sales Tax on imports of CKD kits of EVs                                      | Exemption from sales tax                | Imports of CKD (Completely Knocked Down) kits for Electric Vehicles are exempted from sales tax. This exemption applies to 2-3 wheelers, 4-wheelers, and HCV (Heavy Commercial Vehicles) forms.  |
| 01   | Low rate of Customs Duty on import of EV CKD & Specific Parts                   | Low customs duty                        | Specific parts for Electric Vehicles in CKD (Completely Knocked Down) form can be imported at a low rate of customs duty (approximately 1%). Component parts in CKD form that are non-localized can be imported at a customs duty rate of 10-15%. This is done to facilitate local manufacturing of Electric Vehicles. |



| S.no | Electric Vehicles   | Incentive   | Detail  |
|------|---|---|---|
| 01   | Concessionary rate of Customs duty on import of Completely Built EV Units | Low customs duty for specific periods                           | Completely Built Electric Vehicle Units (CBUs) such as 4-wheelers, 2-3 wheelers, and Heavy Commercial Vehicles (HCVs) can be imported at concessional rates of customs duty for a specified period. The rates are 1% for HCVs, 50% of prevalent rates for 2-3 wheelers, and 10% for 4-wheelers until June 30, 2022, and 25% onwards until June 30, 2026.            |
| 01   | Low Customs duty on import of Electric Vehicle Chargers                   | 1% customs duty on Chargers with CKD kits                       | Import of Chargers with CKD (Completely Knocked Down) kits for Electric Vehicles attracts a customs duty of 1%.   |
| 01   | VAT Exemption on CBU/CKD import of certain types of Electric Vehicles     | Exemption from Value Addition Tax                               | Exemption from Value Addition Tax (VAT) has been granted on CKD (Completely Knocked Down) imports of EV 4-wheelers up to 50 kWh battery and CBU (Completely Built-Up) imports of 150 kWh battery LCV (Light Commercial Vehicle) until June 30, 2026. The exemption also applies to 2-3 wheelers and HCV (Heavy Commercial Vehicle) CBU imports until June 30, 2025. |
| 01   | Exemptions of Custom Duty on Inputs for Manufacturing EVs                 | Exemption from customs duty for inputs used in EV manufacturing | Inputs used by EV vendors, including in-house manufacturing by OEMs (Original Equipment Manufacturers), are exempted from customs duty.   |

| S.no | Mobile Device Manufacturing   | Incentive                   | Detail   |
|------|---|-----------------------------|--|
| 01   | Custom duty exemption on Import of Capital goods for Mobile Manufacturing | 0% customs duty exemption   | Plant, machinery, and equipment used for the manufacturing of mobile phones can be imported at 0% customs duty. However, local manufacturers need to be certified by the Pakistan Telecommunication Authority (PTA).                     |
| 01   | Custom duty exemption on import of mobile phones in CKD/SKD form          | Exemption from Customs Duty | CKD (Completely Knocked Down) and SKD (Semi-Knocked Down) manufacturing of mobile phones by PTA-approved manufacturers under Input/Output Co-Efficient Organization (IOCO) approved import authorization are exempted from customs duty. |



| S.no | Mobile Device Manufacturing   | Incentive   | Detail   |
|------|---|---|--|
| 01   | Exemption of VAT on import of mobile Phones                             | Exemption from Value Addition Tax (VAT)                                 | The import of cellular mobile phones is exempted from Value Addition Tax (VAT).  |
| 01   | Locally assembled/manufactured phones are exempted from withholding tax | Exemption from withholding tax on domestic sales                        | Withholding tax on domestic sales of locally manufactured mobile phones is exempted for income tax purposes.   |
| 01   | Advance tax on specific mobile phones in CKD/SKD form is exempt         | Exemption from advance tax  | Advance tax on the import of mobile phones in completely knocked down (CKD) or semi-knocked down (SKD) form is exempt up to the category of 350 USD.   |
| 01   | Low rate of sales tax on CKD/SKD condition mobile phones                | Low sales tax rate  | The sales tax on the import of CKD/SKD (Completely Knocked Down/Semi-Knocked Down) mobile phones and the supply of locally manufactured mobile phones is lower compared to the sales tax on Completely Built-Up (CBU) mobile phones. |
| 01   | R&D allowance of 3% to be given to local manufacturers for exports      | 3% Research and Development (R&D) allowance for export of mobile phones | Local manufacturers of mobile phones are eligible for a 3% R&D allowance for their exports.  |

| S.no | Pharmaceuticals                               | Incentive                   | Detail   |
|------|---|-----------------------------|--|
| 01   | Pharma raw materials exempt from sales tax    | Exemption from sales tax    | Sales tax on the import of raw materials for the manufacture of Active Ingredients and pharmaceutical products is exempted.              |
| 01   | Zero percent duty on import of multiple drugs | Exemption from customs duty | Import of multiple specified drugs is exempt from customs duty.  |
| 01   | API's exempted from Customs Duty              | Exemption from customs duty | Zero percent customs duty is available on the import of multiple Active Pharmaceutical Ingredients (APIs) for the Pharmaceutical Sector. |



| S.no | Pharmaceuticals   | Incentive  | Detail   |
|------|---|--|--|
| 01   | Low Customs duty on import of Plant and Machinery                           | 5% customs duty  | Import of Plant and Machinery for use in Pharmaceutical Manufacturing attracts a customs duty of 5%.   |
| 01   | Low customs duty on import of Excipients/Chemicals                          | 5% customs duty  | The import of specified Excipients/Chemicals for the pharmaceutical sector is subject to a customs duty of 5%.   |
| 01   | Refinance facility under the Export Finance Scheme for Consultancy Services | Refinance facility under Export Finance Scheme for Consultancy | Foreign earnings remitted into Pakistan against consultancy services in the pharmaceutical sector are granted export status. These foreign earnings qualify as export proceeds, and consultancy services are eligible for the export finance facility. |
| 01   | Exemption of Customs duty on import of pharma grade Gelatin                 | Exemption from customs duty                                    | Import of pharma grade Gelatin used as an excipient in the production of hard capsules and softgels is exempt from customs duty.   |

Pakistan has no uniform or universal system of imposing labeling and marking requirements on products. However, individual industries or sectors are subject to the regulations of specific bodies. For example, the Ministry of National Health Services, Regulation and Coordination sets requirements for the pharmaceutical industry.

| S.no | Automobile & Auto Parts  | Incentive                 | Detail  |
|------|--|---------------------------|---|
| 01   | Reduced Customs duty on import of CKD kits of small cars up to 850cc | Reduction in customs duty | Customs duty on import of non-localized CKD (Completely Knocked Down) kits of vehicles up to 850cc reduced from 30% to 15% for new make or new model as certified by the Engineering Development Board (EDB) for two years from the date of issuance of manufacturing certificate or until June 30, 2024, whichever is earlier. |
| 01   | Exemption from Value Added Tax (VAT) on small cars                   | Exemption from VAT        | Exemption from Value Added Tax (VAT) granted on small cars up to 850cc.   |
| 01   | No Advance tax on import of Motor vehicles up to 1000 cc             | Exemption from VAT        | The import of motor vehicles up to 1000cc in Completely Built-Up (CBU) condition is exempt from the collection of withholding tax.  |





| S.no | Automobile & Auto Parts                                   | Incentive  | Detail  |
|------|---|--|---|
| 01   | Low Customs Duty on Import of Hybrid Vehicles Parts       | Low customs duty   | Import of parts for Hybrid Vehicles is allowed at a low customs duty rate of 4%, and 3% for parts for Plug-in Hybrid Vehicles, under the Auto Industry Development Exports Policy (AIDEP).  |
| 01   | Low Customs Duty for Vehicle Assembly (New Make or Model) | Reduced customs duty   | Additional customs duty has been reduced for new make or model of vehicles as certified by the Engineering Development Board.   |
| 01   | Low custom duties on Automotive Parts of Vehicles         | Supportive customs duty structure for automotive parts           | Supportive customs duty structure is available for raw materials, subcomponents/components, and sub-assemblies of various vehicles including Agricultural Tractors, Prime Movers, Buses, LCVs, HCVs, Cars, 4-Stroke Auto Rickshaw, 3-Wheeler Cargo loader, and Motorcycles. |
| 01   | Low Custom Duties on Vehicle Assembly (TBS Regime)        | Supportive customs duties regime for imported vehicle components | Supportive customs duties regime is available for imported components in any kit form of vehicles, including Agriculture Tractors, Prime Movers & Buses (dedicated LNG/LPG or CNG), Trucks/HCVs.  |

| S.no | Food Processing   | Incentive                       | Detail  |
|------|---|---------------------------------|---|
| 01   | Low rate of customs duties on import of capital goods used in Livestock Sector                                      | Concessional customs duty rates | Plant, machinery, and other capital goods used for establishing livestock farms can be imported at concessional rates of customs duty.      |
| 01   | Low custom duties on capital goods used for handling, processing and storage of Vegetables, Fruits, Food items etc. | Concessional customs duty rates | Machinery and equipment used for cleaning, sorting, or grading items related to food can be imported at concessional rates of customs duty. |



| S.no | Food Processing   | Incentive                       | Detail  |
|------|---|---------------------------------|---|
| 01   | Low rate of customs duties on import of seafood processing machinery and equipment                                      | Concessional customs duty rates | Concessional rates of customs duty are available on the import of machinery and equipment for fish or shrimp farming and seafood processing.  |
| 01   | Low rates of customs duty on import of capital goods used by Food Processing Industry                                   | Low customs duty rates          | Machinery, equipment, and other capital goods used in miscellaneous Agro-Based Industries like milk processing, fruit, vegetable or flower grading, picking or processing, etc., can be imported at low customs duty rates.           |
| 01   | 0% customs duty on capital goods for setting up Fruit Processing in specific areas                                      | Exemption from customs duty     | Import of plant, machinery, and equipment for setting up fruit processing and preservation units in Gilgit-Baltistan, Balochistan, and Malakand Division (fruit-growing areas of the country) is allowed at 0% customs duty.          |
| 01   | Concessional rate of customs duties on import of ingredients for the preparation of Value Added Chicken Products (VACP) | Concessional customs duty rates | Apart from the availability of locally produced inputs, the import of ingredients for manufacturing value-added chicken products is allowed at concessional rates of customs duty.  |
| 01   | Sales tax exemption for import/supplies of livestock, meat, etc.  | Exemption from sales tax        | Import or supply of live animals, meat of bovine animals, fish, eggs, edible vegetables for cold storage, cereals, etc., is exempted from sales tax.  |
| 01   | Zero per cent customs duty on the import of Sugar   | Exemption from customs duty     | Import of cane sugar, beet sugar, and crystalline forms of sugar is allowed at 0% customs duty.   |
| 01   | Specific items related to food are exempt from withholding tax  | Exemption from withholding tax  | Services rendered for specified food items such as fresh milk, fish from fish farming, live chicken from poultry farming, live cattle from cattle farming, and unpackaged meat are exempt from the deduction of income tax at source. |

The Ministry of Agriculture sets requirements for pesticides and edible products. In February 2019, the government of Pakistan through Federal Bureau of Revenue (FBR) enacted a Special Regulatory Order (SRO) 237 (I) 2019, which bans the import of processed food products without labeling in local language and halal certification.



| S.no | Housing & Construction   | Incentive  | Detail   |
|------|--|--|--|
| 01   | Construction Sector Granted Status of Industry   | Eligibility for industry benefits and concessions              | The Income Tax Ordinance has been amended to declare the construction sector as an industrial undertaking, making it eligible for benefits and concessions available to other industries.  |
| 02   | New Fixed Tax Regime from Tax Year 2020 and Onwards for Eligible Builders and Developers | Optional fixed tax regime for eligible builders and developers | An optional 'Fixed tax regime' from tax year 2020 onwards has been introduced for eligible builders and developers on income derived from the sale of buildings or sale of plots from a new or incomplete existing project. This regime replaces the previous net income basis for tax computation. The rate and computation of liability are determined under Rule 10 of the eleventh schedule. |
| 03   | Exemption of Withholding Tax on Purchase of Building Materials                           | Exemption from withholding tax on building materials           | Eligible developers and builders are exempted from withholding taxes on the purchase of building materials.  |
| 04   | Dividend income exemption from tax and withholding obligations                           | Exemption from tax and withholding obligations for dividends   | Dividend income paid to a person by a builder or developer company out of the profits and gains derived from a project is exempt from tax and also from tax withholding obligations.   |
| 05   | Reduced Advance Tax on Auction Sale  | Reduced rate of advance tax on auction sale                    | A reduced rate of advance tax of 5% has been introduced for the sale of immovable property through auction.  |
| 06   | Reduction in Tax Liability for Low-Cost Housing  | 90% reduction in tax liability for low-cost housing            | Any tax payable on the income, profits, and gains of projects of low-cost housing under the NAYA Pakistan Housing & Development Authority or EHSAS program shall be reduced by 90%.  |
| 07   | Increased credit for financing the housing & construction sector                         | Mandatory financing targets for banks                          | State Bank of Pakistan (SBP) has advised mandatory targets to banks to increase financing for housing and construction of buildings (residential and non-residential). Each bank is required to ensure that financing for housing and construction of buildings comprises at least 5% of their domestic private sector credit by December 2021.  |



| S.no | Logistics   | Incentive                   | Detail   |
|------|---|-----------------------------|--|
| 01   | Custom Duty Exemption on Import of Aircraft & related items                                 | Exemption from customs duty | i. Customs duty is exempted on the import of Aircraft acquired lease, engine, simulators, spare parts, maintenance kits, equipment required for setting up Maintenance, Repair & Overall (MRO) workshop, machinery, equipment, furniture & fixture imported for the establishment of a new airport. ii. Customs duty is exempted on the import of Ground Handling equipment and on goods for repair and maintenance of aircraft not registered in Pakistan under distress. |
| 02   | No Sales Tax on the supply/import of goods for setting up workshops and Greenfield airports | Exemption from sales tax    | i. Sales tax is exempted on the supply of goods for Machinery, equipment, and tools for setting up MRO workshops; and machinery, equipment, and furniture/fixtures on a one-time basis for setting up Greenfield airports by a company authorized by the Aviation Division. ii. Repair goods imported for aircraft under distress that are not registered in Pakistan are exempt from sales tax.   |
| 03   | Exemption from Advance Tax on import of Aircraft & related items                            | Exemption from advance tax  | There is no advance tax on the import of Aircraft, maintenance kits, spare parts, machinery for MRO, machinery & equipment for setting up greenfield airports, and aviation simulators.  |
| 04   | No Custom duties on import of Ships, other floating and specialized crafts                  | Exemption from customs duty | i. Customs duty exemption on the import of floating crafts, including tugs, survey vessels, and other specialized crafts. ii. Customs duty exemption on the import of cargo containers, ship stores, and equipment.  |
| 05   | Zero per cent Sales Tax on supply, repair, and spare parts for ships                        | Exemption from sales tax    | Zero percent sales tax is applicable on the supply, repair/maintenance, spare parts, and handling equipment for ships, which are not ships of gross tonnage of less than 15 LDT or recreation use ships.   |
| 06   | Sales tax exemption on import of containers for cargo transportation                        | Exemption from sales tax    | Import of containers for the transportation of cargo, ship spares, and equipment is exempt from sales tax.   |



| S.no | Logistics   | Incentive                                  | Detail  |
|------|---|--|---|
| 07   | Exemption of Advance Tax up to 2030 on import of Ships and other floating crafts                      | Exemption from advance tax                 | Advance tax is exempted on the import of ships, floating crafts/vessels until the year 2030, except ships purchased for demolition purposes.  |
| 08   | Tax credit available for ship-building business   | Tax credit of 25%                          | A tax credit of 25% of the amount invested is available to a green field industrial undertaking engaged in shipbuilding.  |
| 09   | Presumptive Taxing for ships/vessels flying Pakistani flag  | Presumptive taxing for shipping businesses | Presumptive taxing is applicable to shipping businesses owned by resident Pakistanis, vessels not registered in Pakistan, and SECP incorporated companies in Pakistan until 2030.   |
| 10   | Shipping industry allowed to avail Long Term Finance Facility   | Availability of long-term finance facility | The State Bank of Pakistan offers a long-term finance facility (LTFF) for ships and vessels, allowing investors to procure floating vessels using this scheme.  |
| 11   | Customs duty exemption on Imports for warehousing & transshipment businesses at Gwadar Free Zone Area | Exemption from customs duty                | Imports for businesses to be established in Gwadar Free Zone Area, including warehousing (including cool and cold rooms) and transshipment, are exempt from customs duty for a period of 23 years with effect from 1st July 2016. |
| 12   | Low Tax rate on Income from Freight related Services  | Income tax rate of 3%                      | An income tax rate of 3% is applicable on the gross amount payable in cases of transport services, freight forwarding services, air cargo services, and courier services.   |
| S.no | Textiles  | Incentive                                  | Detail  |
| 01   | Duty Free Import of machinery & equipment   | Exemption from customs duty                | The textile sector is allowed to import machinery & equipment without paying duties if they are not manufactured locally.   |
| 02   | Exemption of Sales tax on Import of machinery & equipment   | Exemption from sales tax                   | The textile sector is allowed to import machinery & equipment for greenfield projects without paying sales tax, under certain conditions.   |



| S.no | Textiles   | Incentive  | Detail   |
|------|--|--|--|
| 03   | Long Term Financing Facility (LTFF) at Concessional Rates              | Concessional financing rates   | Participating Financial Institutions (PFIs) provide long-term local currency finance at a concessional rate of 5% (compared to the normal KIBOR) for the purchase of plant and machinery used by export-oriented textile projects that meet specified criteria.      |
| 04   | Export Finance (EFS) available at concessional rate of 3.0%            | Low markup rate for exporters  | Exporters availing financing facilities under the Export Finance Scheme (EFS) can benefit from a low markup rate of 3.0% per annum.  |
| 05   | Permission to import restricted items by manufacturers                 | Import of restricted items for production                            | Export houses operating under various schemes for the manufacturing of goods for export are allowed to import restricted items required for the production of finished goods.  |
| 06   | Permission to import restricted items by manufacturers                 | Import of restricted items for production                            | Export houses operating under various schemes for the manufacturing of goods for export are allowed to import restricted items required for the production of finished goods.  |
| 07   | Fully automated system for Repayment of customs—duties to exporters    | Automated repayment system for customs duties                        | The repayment of customs duty to exporters is done through a computerized system, directly into the company's bank account.  |
| 08   | Zero Custom Duty for textile products for export to China              | Elimination of custom tariff on textile products for export to China | Under the Free Trade Agreement with Pakistan, China has eliminated custom tariffs on 313 High Priority Tariff lines, including textile products from Pakistan, for export to China.  |
| 09   | Low tariff/exemptions on exports to countries of EU due to GSP+ status | Tariff concessions for exports to EU                                 | Pakistan has been granted GSP+ status by the European Union since 2014, granting tariff concessions for goods from Pakistan when entering the EU market. This provides easy access for Pakistani manufacturing units to export their products to the European Union. |



| S.no | Textiles                        | Incentive                                    | Detail   |
|------|---------------------------------|--|--|
| 10   | Export facilitation Scheme 2021 | Exemption from duty and taxes on input goods | Under the Export Facilitation Scheme 2021, no duty and taxes are levied on input goods, including raw materials, spare parts, components, equipment, plant and machinery, for authorized users. Local supplies of inputs to authorized users are zero-rated. |

| S.no | Tourism   | Incentive  | Detail   |
|------|---|--|--|
| 01   | Reduced duty on pre-fabricated structures for hotels and on machinery and equipment | Reduced duty on import of project-related items                      | The duty is reduced on the import of machinery, equipment, and other project-related items for setting up hotels located in an area of 30 km around the zero point in Gwadar and pre-fabricated structures for hotels in Hill Stations, Gilgit Baltistan, AJK, and Coastal Areas of Baluchistan (excluding Hub). |
| 02   | Sales tax exemption for import of capital goods for Hotels in Gwadar area           | Exemption from sales tax   | Import of capital goods for setting up hotels in Gwadar is exempt from sales tax.  |
| 03   | Set off of losses of companies operating hotels                                     | Set off of losses against company's income                           | If a company operating a hotel sustains a loss in Pakistan for any tax year, it shall be entitled to have the amount of the loss set off against the company's income in Pakistan.   |
| 04   | Tourist Visa on Arrival   | Tourist visa on arrival for citizens of 50 different countries       | Tourists from 50 different countries can now apply for a tourist visa on arrival.  |
| 05   | Business Visa on Arrival  | Business visa on arrival for businessmen from 95 different countries | The Government of Pakistan is granting a 30-day Single-Entry Business Visa On Arrival to businessmen from 95 different countries.  |



| S.no | Tourism   | Incentive                                   | Detail  |
|------|---|---|---|
| 06   | Refinance facility under the Export Finance Scheme for Consultancy Services | Refinance facility for consultancy services | Refinance facility is available under the Export Finance Scheme for consultancy services. |
| 07   | Services provided by hotels exempt from Income tax deduction                | Exemption from income tax deduction         | Services provided by hotels are exempt from income tax deductions.                        |

## 7.1.6 Infrastructural Support for FDI

### 7.1.6.1 Special Economic Zones: Fuelling Pakistan's Industrial Growth

Pakistan introduced an Investment Policy in 2013, further loosening the restrictions in the majority of sectors to lure in international investors. A notable move in this direction was the economic collaboration agreement with China, known as the China-Pakistan Economic Corridor (CPEC), signed in April 2015. The initial phase of CPEC, concluded by the end of 2019, was primarily centred around infrastructure and energy production.

The current second phase of CPEC is more focused on enhancing Pakistan's industrial growth by setting up special economic zones across the country. China has also pledged to contribute \$1 billion towards socio-economic initiatives concentrated on agriculture, health, education, poverty alleviation, and vocational training by 2024. However, the progress of Phase II has been considerably delayed due to the global COVID pandemic, budgetary limitations, and bureaucratic hurdles, including the government's failure so far to enact legislation establishing the CPEC Authority, a central federal organization responsible

for CPEC execution across the nation. Special Economic Zones (SEZs) in Pakistan were established under the Special Economic Zones Act 2012 with the aim to promote industrial upgrading, encourage domestic and international investors, and generate employment. The Act empowers the Federal and Provincial Governments to establish SEZs independently, in collaboration with private parties, or exclusively through private parties. It also provides certain fiscal and allied benefits to SEZ investors, including developers and zone enterprises.

As of the time of the document, 22 SEZs have been approved, with 21 of them notified by the Board of Investment (BOI). These include 4 China-Pakistan Economic Corridor (CPEC) SEZs, 3 private SEZs (including two Sole Enterprise SEZs), and a Science and Technology Park established by the National University of Sciences and Technology (NUST) in Islamabad.

The SEZs are spread across Pakistan and include the Value Addition City (VAC) in Faisalabad, Punjab, the Rashakai Special Economic Zone (RSEZ) in Nowshera, KP, and the Allama Iqbal Industrial City (AIIIC) in Faisalabad, Punjab, among others.



The SEZs offer several incentives to investors, including the provision of utilities to the zero point of each SEZ, exemption from all taxes on income, and a 10-year income tax holiday for zone enterprises. The government has also allocated funds for the provision of power and gas for all the SEZs.

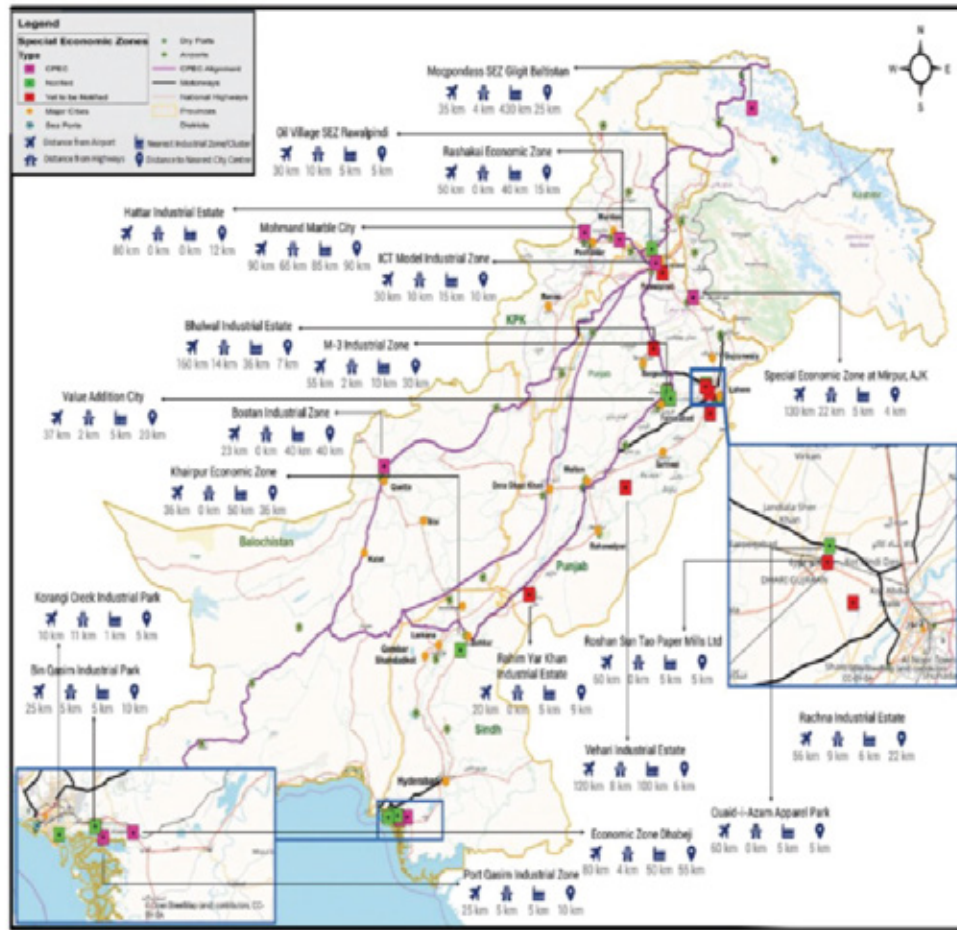
The 21 notified SEZs account for approximately 10,029.64 acres of industrial land, of which 5,220.62 acres (52%) have been allotted to investors for setting up the

industry with planned investments of Rs 633.9 billion. 43.6% of this comprises the FDI component (USD 1.73 billion). The SEZs have been successful in attracting investment and generating employment. As of May 2021, the 21 notified SEZs together account for approx. 10,029.64 acres of industrial land out of which 5,220.62 acres (52%) have been allotted to investors for setting up of industry with planned investments of Rs 633.9 billion, 43.6% of this comprises of FDI component (USD 1.73 billion).

| S.no | Special Economic Zones  | Incentive  | Detail  |
|------|---|--|---|
| 01   | One-time Custom Duty exemption on import of Capital Goods (Zone Developers/Co-Developers) | Exemption from custom duties and taxes on imported capital goods | The zone developer/Co-developers are allowed a one-time exemption from all custom duties and taxes on capital goods imported into Pakistan, except for the items listed under Chapter 87 of the Pakistan Customs Tariff. This exemption is granted for the setting up of a Special Economic Zone (SEZ), subject to verification by the Board of Investment (BOI). |
| 02   | Income Tax exemption for 10 years from the date of signing of Development Agreement       | Exemption from income taxes for zone developers/co-developers    | The zone developer/Co-developer is allowed exemption from all taxes on income, including minimum turnover tax, accruable in relation to the development and operation of the SEZ for a period of ten years, starting from the date of signing the development agreement.  |
| 03   | One-time Custom Duty exemption on import of Capital Goods (Zone Enterprises)              | Exemption from custom duties and taxes on imported capital goods | The zone enterprise is allowed a one-time exemption from all custom duties and taxes on capital goods imported into Pakistan, except for the items listed under Chapter 87 of the Pakistan Customs Tariff. This exemption is granted for the setting up of a Special Economic Zone (SEZ), subject to verification by the Board of Investment (BOI).               |



| S.no | Special Economic Zones  | Incentive  | Detail  |
|------|---|--|---|
| 04   | Income Tax exemption for 10 years from the date of commencement of commercial operation | Exemption from income taxes for zone enterprises                 | The zone enterprise is allowed exemption from all taxes on income, including minimum turnover tax, accruable in relation to its commercial production/operation for a period of 10 years, starting from the date of commencement of its commercial operation.   |
| 05   | Income Tax exemption for 10 years from the date of signing of Development Agreement     | Exemption from income taxes for zone developers/co-developers    | The zone developer/Co-developer is allowed exemption from all taxes on income, including minimum turnover tax, accruable in relation to the development and operation of the SEZ for a period of ten years, starting from the date of signing the development agreement.  |
| 06   | One-time Custom Duty exemption on import of Capital Goods (Zone Enterprises)            | Exemption from custom duties and taxes on imported capital goods | The zone enterprise is allowed a one-time exemption from all custom duties and taxes on capital goods imported into Pakistan, except for the items listed under Chapter 87 of the Pakistan Customs Tariff. This exemption is granted for the setting up of a Special Economic Zone (SEZ), subject to verification by the Board of Investment (BOI). |



SEZs with Proximity to Key Infrastructure

However, there are certain challenges that the SEZs in Pakistan face:

**Legal Environment:** Pakistan's SEZs are not insulated from the existing legal system, which often leads to weak contract enforcement and delays in case filing, trial, judgment, and enforcement of court decisions.

**Skilled Labour:** The current SEZ framework in Pakistan does not offer any incentive to zone enterprises for labour training. This is unlike the dynamics in several successful SEZs

around the world. For instance, in the Philippines, SEZ enterprises get additional tax deductions for labour training expenses; Slovakia and Serbia offer grants and aid for training and re-skilling labour, Albania allows tax deductions equivalent to 200 per cent of the training costs, and Malaysia runs labour training programs on a PPP basis for enterprises inside the zones.

**Zone Operation & Maintenance:** The current SEZ law and regulations in Pakistan focus on first-time colonization of the zone, with little

focus on operations and maintenance of the SEZs in the long run. For investors, this is a concern over the long-term sustainability of the SEZ projects.

**SEZ Policy & Clear Objectives:** Pakistan needs to develop a detailed SEZ policy to guide the evolving legal framework and relevant facets of industrial policies. Equally important is the reconciliation of the SEZ policy with other instruments of investment policy, such as the Special Technology Zones Authority (STZA) and Export Processing Zones Authority (EPZA), and with various federal and provincial industrial policies, economic growth frameworks, and budgetary measures.

**One Stop Shop:** One of the major challenges relevant to One Stop Shop (OSS) is the lack of OSS authority and weak integration of policies across the board. The OSS reduces delays and uncertainty around securing registrations, permits, licenses, and approvals as well as the provision of public goods from multiple governmental agencies. However, in

Pakistan, the OSS is not functional amid overlapping responsibilities between various federal and provincial-level SEZ-related authorities for the provision of various public services in SEZs, and zone operations.

**Monitoring & Evaluation:** There is no separate formal Monitoring and Evaluation (M&E) framework for SEZs in Pakistan. Effective M&E is a critical part of the SEZ policy framework, especially if governments want to expand the policy, legal, and institutional arrangements within SEZs to outside the zones or want to scale up the number of zones across the country.

Despite these challenges, the SEZs have been successful in attracting investment and generating employment, indicating their potential for future growth and development. The government's commitment to addressing these challenges and improving the SEZ framework can further enhance its attractiveness to both domestic and international investors.

| S.no | Name of SEZ                      | Location    | Developer   | Type of Industry  |
|------|----------------------------------|-------------|---|---|
| 01   | Khairpur SEZ                     | Sindh       | Public Agro Food Processing, light                              | Engineering and Manufacturing   |
| 02   | Allama Iqbal Industrial City SEZ | Punjab      | Faisalabad Industrial Estate Development and Management Company | Textile, Engineering, Electrical and Electronics, Chemical, Paints, Agriculture and Food Processing, Steel and Packaging  |
| 03   | Bostan SEZ                       | Balochistan | Industries Department, Gov. of Balochistan                      | Fruit Processing, Agricultural Machinery, Minerals and Gems, Ceramic Industries, Ice and Cold Storage, Electrical Appliances, Motor Bike assembly, Pharmaceutical and Halal food industry |



| S.no | Name of SEZ                      | Location           | Developer <sup>29</sup>  | Type of Industry   |
|------|----------------------------------|--------------------|--|--|
| 04   | Hub SEZ                          | Balochistan        | Lasbela Industrial Estates Development Authority (LIEDA)                       | Textile, Pharmaceutical, Cement manufacturing, Food & Confectionary Industries, Chemical Industries, Plastic, Paper Manufacturing, Printing & Packaging, Ceramics, Marble Processing, Mineral Grinding   |
| 05   | Bin Qasim SEZ                    | Sindh              | National Industrial Parks Development & Management Company (NIP)               | Light Engineering, Auto & Allied, Foundry and Fabrication, Warehousing & Logistics, Mixed Used   |
| 06   | Korengi Creek Industrial Park    | Sindh              | National Industrial Parks Development & Management Company (NIP)               | Low Density Zone: Light Engineering, Food Processing, Consumer Food & Pharmaceutical Products, Garments / Value added Textiles, Packaging & Printing & Warehousing/Logistics<br>High Density Zone: Commercial and Business Centers, Information Technology, Gems & Jewelry |
| 07   | Quaid-e-Azam Apparel Park        | Punjab             | Punjab Industrial Estates Development & Management Company (PIEDMC)            | Textile and Apparel related industries   |
| 08   | Naushehro Feroze Industrial Park | Sindh              | National Industrial Parks Development & Management Company (NIP)               | Agro Food Processing, Agro Non-Food Processing, Light Engineering, Mixed Used  |
| 10   | Hattar Special Economic Zone     | Khyber Pakhtunkhwa | Khyber Pakhtunkhwa Economic Zones Development and Management Company (KPEZDMC) | Food and beverage, Agro-processing, Textile, Crockery, Paper printing, Chemical, Cement, Engineering   |



| S.no | Name of SEZ                      | Location | Developer <sup>29</sup>   | Type of Industry  |
|------|----------------------------------|----------|---|---|
| 11   | M-3 Industrial City              | Punjab   | Faisalabad Industrial Estates Development & Management Company (FIEDMC) | Textiles, Engineering, Electrical & Electronic, Chemical & Paints, Food Processing, Pharmaceuticals, Automobiles, Packaging and Building Material   |
| 12   | Rachna Industrial Park           | Punjab   | National Industrial Parks Development & Management Company (NIP)        | Auto Parts, Leather Products, Packaging and Food Processing units besides other auxiliary, industries, Mixed Used   |
| 13   | Bhalwal Industrial Estate        | Punjab   | Punjab Industrial Estates Development & Management Company (PIEDMC)     | Citrus Processing Industry, Frozen Concentrated Juice, Industry, Pharmaceuticals, Seed & Crops Unit, Packaging Industry, Storage Industry, Paper Industry, Flour Mills, Plastic Products, Footwear, Textile, Warehouse  |
| 14   | Vehari Industrial Estate         | Punjab   | Punjab Industrial Estates Development & Management Company (PIEDMC)     | Handicrafts, Chemical Industry, Ginning Mills, Agro Based Industry, Shoe Industry, Pesticides, Pharmaceuticals, Packaging Industry, Storage Industry, Paper Industry, Flour Mills, Plastic Products, Textile, Cold Storage, Warehouse                                       |
| 15   | Rahim Yar Khan Industrial Estate | Punjab   | Punjab Industrial Estates Development & Management Company (PIEDMC)     | Oil Mills, Chemical Industry, Ginning Mills, MDF Production, Wood Plastic Composite Production, Pesticides, Polypropylene Woven Bags, Pharmaceutical, Packaging Industry, Storage Industry, Paper Industry, Flour Mills, Plastic Products, Textile, Cold Storage, Warehouse |



| S.no | Name of SEZ         | Location   | Developer <sup>29</sup>  | Type of Industry  |
|------|---------------------|------------|--|---|
| 16   | Rashakai SEZ        | Nowshera   | Khyber Pakhtunkhwa Economic Zones Development and Management Company (KPEZDMC) | Light Engineering, Automotive, Construction and Food Processing   |
| 17   | Value Addition City | Faisalabad | Faisalabad Industrial Estates Development & Management Company (FIEDMC)        | Textiles, Engineering, Electrical & Electronic, Chemical & Paints, Food Processing, Pharmaceuticals, Automobiles, Packaging and Building Material |
| 18   | Oil Village SEZ     | Nowshera   | Frontier Oil Company   | Storage for Oil Marketing Companies   |

### 7.1.6.2 Gawadar Free Zone:

| S.no | Gwadar Free Zone  | Incentive  | Detail   |
|------|---|--|--|
| 01   | 100% ownership for foreign investors in specific sectors                      | Foreign investors allowed 100% ownership in specific sectors                                   | Foreign investors in the Gwadar Free Trade Zones are permitted 100% ownership as allowed throughout Pakistan, based on the Investment Policy of Pakistan 2013. However, certain sectors such as airline, banking, agriculture, and media have restrictions on foreign investment ownership.                                      |
| 02   | Tax holiday for 23 years for businesses related to the Gwadar Free Trade Zone | 23-year income tax holiday for operators, contractors, sub-contractors, lenders, and investors | Businesses operating in the Gwadar Free Trade Zone, including operators, contractors, sub-contractors, lenders, and investors, are eligible for a tax holiday of 23 years. This means they are exempt from paying income tax for a specified period, providing a favorable tax environment for businesses in the free zone area. |
| 03   | Exemptions of sales tax on certain goods for Zone/Port businesses etc.        | Sales tax exemption on supplies of materials, equipment, plant and machinery, and vehicles     | Zone and port businesses in Gwadar are exempt from paying sales tax on supplies of materials, equipment, plant and machinery, as well as on vehicles used by specified companies related to the zone. This exemption helps reduce the tax burden for businesses operating within the Gwadar Free Trade Zone.                     |



| S.no | Gwadar Free Zone   | Incentive  | Detail  |
|------|--|--|---|
| 04   | 100% exemption on customs duties for construction and operation        | Customs duty exemption on certain imports for construction, development, and operations    | Imports for the construction, development, and operations of the Gwadar Free Zone are eligible for 100% customs duty exemption, subject to certain conditions. This incentive aims to facilitate the growth and establishment of the free zone by reducing the cost of importing necessary goods and materials. |
| 05   | Availability of land/plots with lease period of 99 years               | Investors provided land/plots on leases for 99 years                                       | Investors in the Gwadar Free Trade Zone are provided with land or plots on leases for a period of 99 years from the effective date of the free zone. This long-term lease arrangement allows investors to have secure access to land and utilize it for their business operations in the zone.                  |
| 06   | Exemptions of sales tax on certain goods for Zone/Port businesses etc. | Sales tax exemption on supplies of materials, equipment, plant and machinery, and vehicles | Zone and port businesses in Gwadar are exempt from paying sales tax on supplies of materials, equipment, plant and machinery, as well as on vehicles used by specified companies related to the zone. This exemption helps reduce the tax burden for businesses operating within the Gwadar Free Trade Zone.    |

### 7.1.6.3 The Export Processing Zones Authority (EPZA)

a project initiated by the Pakistani government in 1980, is one of the rapidly developing ventures under governmental jurisdiction. Its establishment aimed to boost and refine the country's export capabilities. The EPZA primarily aims to expedite industrialization in the nation and escalate export volumes by crafting a supportive environment for investors. The authority encourages investors to launch ambitious export-driven projects within the export processing zones, a move which, in turn, is expected to create employment opportunities, usher in advanced technologies, and attract foreign investments.

| S.no | Export Promotion Zones                                  | Incentive  | Detail   |
|------|---|--|--|
| 01   | Duty-free import of machinery, equipment, and materials | Duty- and tax-free import of goods for setting up and operations | Investors in export promotion zones are allowed duty- and tax-free import of all goods, including machinery, equipment, and materials, for the establishment and operation of their units. They can also obtain duty- and tax-free goods from tariff areas of Pakistan under certain conditions. |





| S.no | Export Promotion Zones  | Incentive  | Detail   |
|------|---|--|--|
| 02   | Duty-free vehicles allowed under certain conditions                         | Import of vehicles without payment of duties and taxes   | Businesses in the export promotion zones are allowed to import vehicles without payment of duties and taxes, subject to certain entitlement conditions.  |
| 03   | Reduced rate of Income Tax @ 1%   | Presumptive Income Tax at a reduced rate of 1%   | Zone businesses are subject to a reduced rate of Income Tax at 1% under the presumptive income tax regime. This rate is charged by the Export Processing Zone Authority (EPZA) and is considered the final discharge of the tax liability.   |
| 04   | Freedom from national import regulations                                    | Exemption from general import restrictions   | Businesses in the export promotion zones are exempted from general import restrictions that are applicable to tariff areas of Pakistan under the Import Policy Order, except for specified conditions. They enjoy greater freedom in their import activities.                              |
| 05   | Reduced rate of Income Tax @ 1%   | Presumptive Income Tax at a reduced rate of 1%   | Zone businesses are subject to a reduced rate of Income Tax at 1% under the presumptive income tax regime. This rate is charged by the Export Processing Zone Authority (EPZA) and is considered the final discharge of the tax liability.   |
| 06   | Exchange control regulations of Pakistan not applicable                     | Exemption from foreign exchange control regulations  | Businesses established in export promotion zones are exempt from the foreign exchange control regulations of Pakistan. This exemption allows them to undertake foreign currency transactions with ease and flexibility.  |
| 07   | Domestic market available to the extent of 20% or higher in specified cases | Sale of goods in the domestic market to the extent of 20% or higher in specified cases                       | Goods produced in the export promotion zones can be sold in the domestic market of Pakistan to the extent of 20% of their production or higher, as specified in certain cases. This allows zone businesses to access the local market for their products.                                  |
| 08   | Obsolete/old machines can be sold in the domestic market of Pakistan        | Permission to sell obsolete/old machines in the domestic market after payment of applicable duties and taxes | The Export Processing Zone Authority permits the sale of obsolete/old machines in the domestic market of Pakistan by zone businesses after payment of applicable duties and taxes. This allows businesses to dispose of outdated equipment while complying with the necessary regulations. |



| S.no | Export Promotion Zones   | Incentive  | Detail   |
|------|--|--|--|
| 09   | EPZ units allowed to supply goods to Custom manufacturing bonds in Tariff area | Opportunity for sub-contracting between EPZ units and units in the tariff area                 | EPZ units are allowed to supply goods to custom manufacturing bonds in the tariff area, creating additional commercial opportunities for investors in the zones. This facility enables sub-contracting between units based in the tariff area and units located in the export processing zone. |
| 10   | 'B' Grade goods/used materials can be sold in the domestic market              | Sale of lower quality goods and used materials in the domestic market on payment of duty/taxes | Manufactured goods of lower quality, as well as different types of used materials, can be sold in the tariff area of Pakistan by businesses in the export promotion zones. This is allowed upon payment of applicable duty and taxes.  |
| 11   | Developed land on competitive rates for 30 years                               | Availability of developed land on competitive rates for a 30-year period                       | The Export Processing Zone Authority (EPZA) offers developed land within the export promotion zones at competitive rates for a period of 30 years. This enables zone enterprises to establish their operations on suitable land with favourable terms.   |

**7.1.6.4 Special Technology Zone:**

| S.no | Special Technology Zones                     | Incentive                   | Detail  |
|------|--|-----------------------------|---|
| 01   | Exemption of Income tax for Zone Developers  | Exemption from income taxes | Zone developers are eligible for exemption from taxes on income accruable in relation to the development and operations of the special technology zones for a period of ten years, starting from the date of signing the development agreement. |
| 02   | Exemption of Income Tax for Zone Enterprises | Exemption from income taxes | Zone enterprises are eligible for exemption from income taxes for a period of ten years from the date of issuance of the license by the Authority to the Zone Enterprise.   |



| S.no | Export Promotion Zones  | Incentive   | Detail   |
|------|---|---|--|
| 03   | Customs duties exemption on import of Capital goods for Zone Developers               | Exemption from customs duties on imported capital goods             | Zone developers are granted a customs duties exemption for a period of ten years from the date of signing the development agreement. This exemption applies to capital goods imported into Pakistan for consumption within the special technology zones by Zone developers.          |
| 04   | Customs duties exemption on import of Capital goods for Zone Enterprises              | Exemption from customs duties on imported capital goods             | Zone enterprises are granted a customs duties exemption for a period of ten years from the date of issuance of the license by the Authority. This exemption applies to capital goods imported into Pakistan for consumption within the special technology zones by Zone Enterprises. |
| 05   | Sales Tax exemption on import of goods, plant & machinery, and equipment within zones | Exemption from sales tax on imported goods, plant & machinery, etc. | Sales tax exemption is provided on goods and services, including the import of plant & machinery, equipment, and raw materials, for consumption within the special technology zones by zone developers and zone enterprises.   |
| 06   | Exemption from tax on Dividend income and Capital gains for venture funds investing   | Exemption from tax on dividend income and capital gains             | Details Legal Source   |
| 07   | Property Tax Exemption for Zone Enterprises   | Exemption from property tax   | Zone enterprises are eligible for exemption from property tax.   |

### 7.1.7 The Role of the Board of Investment (BOI) in Promoting and Facilitating Investment

The Board of Investment (BOI) of Pakistan, functioning as the nation's investment promotion agency, holds the responsibility of attracting and facilitating both local and international investments. The BOI aims to enhance Pakistan's competitiveness on the global stage. Its role includes assisting companies and investors who aim to invest in Pakistan and guiding the implementation and operation of their projects.

Despite its key role, the BOI does not serve as a complete solution for investors. The regulatory framework guiding foreign investments in Pakistan is shaped by both legislative statutes and the policy decisions taken by the BOI. Although the BOI's policies are flexible, allowing room for negotiation and collaboration, the BOI itself lacks formal legal authority. Therefore, the enforcement of its policies is not uniformly stringent.

Historically, compliance with BOI or its predecessor, the Investment Bureau of Pakistan (IPB), was largely driven by the necessity for approval to remit money out of Pakistan via the State Bank of Pakistan. The liberalization of Pakistan's foreign exchange regime, which is now primarily governed by the Foreign Exchange Regulation Act, has changed this dynamic.

Legislative regulations for foreign investment predominantly stem from the Companies Act, 2017 ("the Act"). Part XII of this Act focuses on companies incorporated outside Pakistan and sets the requirements for establishing a business presence within the country. This Act stipulates that 'foreign companies', defined as entities incorporated or formed outside Pakistan and intending to establish a 'place of business' in Pakistan, are required to register with the Securities and Exchange Commission of Pakistan (SECP).

This registration is enforced by a set of reporting obligations mandated by the Act. Foreign companies must provide copies of the company's constitution and bye-laws, the full address of the registered office, a list of directors, audited financial statements, and the company's address within Pakistan. Non-compliance with these registration requirements restricts the company's ability to initiate any lawsuit or claim any set-off in Pakistani courts, although the contracts they sign remain valid.

The Act broadly defines a 'place of business', encompassing any operational setup of a foreign entity in Pakistan, including liaison or branch offices. As such, these offices also must register with the SECP. Beyond the legal framework set by the Act, the BOI issues policy directives periodically. For instance, it mandates foreign companies

intending to set up a branch or liaison office in Pakistan to fill out an application provided by the BOI. For projects in service, infrastructure, social, and agricultural sectors, a different application form is needed. All foreign companies are required to register with both the BOI and SECP, in line with the Act's stipulations.

In line with BOI policies, a liaison office is primarily established to perform supportive activities such as maintaining quality control, providing technical advice, exploring potential joint collaborations, promoting exports, and educating Pakistani users about the company's products. However, these offices are not permitted to undertake any trading or commercial activities. Pakistan emphasizes retaining investors through "business dialogues," virtual or physical interactions with existing and potential investors. The BOI spearheads and manages these interactions. Notably, Pakistan lacks an Ombudsman's office that specifically concentrates on investment retention.

### 7.1.8 Investment Advantages in Pakistan:

1. Equal Opportunities for Foreign Investors: Except for Indian and Israeli entities, foreigners can establish, own, operate, and sell interests in most types of businesses in Pakistan. Certain industries are restricted due to national security and public safety concerns, such as arms and ammunition, high explosives, radioactive substances, securities, currency and mint, and consumable alcohol. There are no specific rules or mechanisms that exclude U.S. investors or regulations that allow domestic private entities to discriminate against foreign investment.



2. No Boundaries on Capital Investment: Pakistan places no limits on foreign ownership or control. The 2013 Investment Policy eliminated minimum initial capital requirements across sectors. Therefore, there is no minimum investment requirement or maximum limit on the allowed share of foreign equity, except in the airline, banking, agriculture, and media sectors. Any waiver to these limits needs approval from the cabinet and prime minister.

3. Foreign investors in the services sector can retain 100% equity, subject to obtaining a "no objection certificate" and license from the concerned agency and complying with the respective sectoral policy. Full ownership is permitted in the education, health, and infrastructure sectors. In the agriculture sector, the threshold is 60% equity, but corporate agriculture farming allows for 100% ownership. Small-scale mining, valued at less than PKR 300 million (roughly \$1.7 million), is exclusively for Pakistani investors.

4. Foreign banks can establish locally incorporated subsidiaries and branches, provided they have \$5 billion in paid-up capital or belong to regional organizations or associations of which Pakistan is a member (e.g., Economic Cooperation Organization (ECO) or the South Asian Association for Regional Cooperation (SAARC)). Without these requirements, foreign banks are limited to a 49% maximum equity stake in locally incorporated subsidiaries.

5. Accommodating Financing Requirements: Foreign investors can acquire loans for any business activity from local or foreign private entities, in compliance with existing SECP and SBP regulations. Currency exchange options are also available from Pakistani currency to other foreign currencies.

6. Security for Property Rights: Pakistan's legal and investment environment supports property rights enforcement and safeguards both local and foreign owner interests. Foreign entities can

lease farmland for up to 50 years, with options for renewal. The Foreign Private Investment Promotion and Protection Act of 1976 guarantees profit remittance earned through property sale or revaluation.

7. Right to Due Legal Process: Investors can resort to international arbitration for disputes arising from agreements, provided it's stipulated in the contract, and after exhausting local remedies for a six-month period. International investment and free trade agreements ensure efficient dispute resolution provisions.

8. Permissible Foreign Exchange and Remittances: Foreign currencies can be brought into Pakistan without limit. People leaving Pakistan can physically carry a maximum of \$10,000 in cash. For domestic currency, the limit is Rs. 3000, and for India, it's Rs. 500. Cross-border payments of interest, profits, dividends, and royalties are allowed without prior notification, but banks are required to report loan information so SBP can verify remittances against repayment schedules.

9. There are no restrictions on royalty and technical fee payments for the manufacturing sector, but other sectors do have limits, including a \$100,000 cap on initial franchise investments and a cap on subsequent royalty payments of 5% of net sales for five years.

10. In the absence of the new STPF 2020-2025, incentives introduced through STPF 2015-18 remain valid. Despite this, international investors continue to push for enhanced legal protections for foreign investments in Pakistan, protection of intellectual property rights, and the establishment of clear, consistent policies for upholding contractual obligations and resolving tax disputes. The Foreign Private Investment Promotion and Protection Act (FPIPPA), 1976, and the Furtherance and Protection of Economic Reforms Act, 1992, offer legal protection for foreign investors and investments in Pakistan.



## Conclusion

As we have traversed the landscape of Foreign Direct Investment (FDI) in Pakistan, it's evident that the nation offers an enticing blend of advantages for Finnish investors. With the doors open for foreign ownership in numerous sectors, Finland's firms can explore abundant opportunities within this rapidly expanding economy.

Pakistan offers an equitable landscape for foreign investments, with limited exceptions. The country's legal and regulatory systems uphold the interests of both local and foreign owners, providing a solid foundation for foreign investors to conduct business confidently. Furthermore, the financial environment in Pakistan is conducive to the diverse financing needs of foreign investors, allowing them to obtain loans from both local and foreign private entities.

Also, the country's liberal approach to foreign ownership, with the elimination of minimum initial capital requirements in many sectors, makes it a flexible market for Finnish investors. Besides, in the services sector and various other sectors such as education, health, and infrastructure, Finnish firms can maintain 100% equity, expanding their business operations seamlessly.

Moreover, the commitment to property rights enforcement ensures a safe and profitable investment landscape. With the right to international arbitration in case of disputes and the freedom for foreign currencies and remittances, investors can operate with added security and ease.

Despite a few caps on initial franchise investments and royalty payments in some sectors, the advantages in the Pakistani market significantly outweigh the limitations. As such, for Finnish investors, this vibrant, growing market opens doors to new opportunities and promises high returns on their investments.

However, as with any foreign investment, the necessity for due diligence is paramount. Investors must thoroughly understand the landscape, the policies, and the culture of the country before stepping into the market. The promise of Pakistan for Finnish investors is a golden one, waiting to be seized and explored.

However, it requires careful planning, smart strategizing, and an in-depth understanding of the FDI landscape in the country. This chapter has provided a stepping stone towards that comprehensive understanding, serving as a guide on the path to successful foreign investment in Pakistan.



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## 8.1 Overview of Market Entry Strategies in Pakistan

Pakistan, a rapidly growing economy in South Asia, offers a multitude of opportunities for businesses looking to enter and expand in the market. With a population exceeding 220 million, a strategic geographic location, and a highly skilled yet cost-effective workforce, the country is an attractive destination for businesses. However, the choice of the right market entry strategy is pivotal to achieving success. This section provides a detailed overview of the various market entry strategies available to businesses in Pakistan, along with their respective advantages and disadvantages.

### 8.1.1 The Identity and Investment Methodologies of a Foreign Investor

A foreign direct investor isn't limited to a specific sector and could potentially be any of the following entities:

- An individual person
- A collective of related individuals
- A legal or non-legal organization
- A publicly traded or privately held company
- A group of affiliated companies
- A government entity
- A legal estate, trust, or another type of social organization

Any mixture of the aforementioned categories in Pakistan, many foreign businesses are "private limited companies," which require at least two shareholders and two directors. These can be established by registering their constitutional documents (Memorandum & Articles of Association) with the Securities & Exchange Commission of Pakistan (SECP).



### 8.1.2 Market Entry Strategies and Startup Considerations for Foreign Investment in Pakistan

Foreign investors considering business in Pakistan have multiple pathways. These methods range from setting up a local subsidiary to partnering with existing entities, each with its own advantages and required commitments.

1. **Establishing a Local Subsidiary:** This straightforward process often involves engaging local legal practitioners or consultancy firms. A local subsidiary provides investors with direct control over their business operations and the decision-making process, allowing them to tailor their strategies to local market conditions. Wholly owned subsidiaries can also help businesses establish a strong brand presence in the local market. For example, Unilever has established a wholly-owned subsidiary in Pakistan, allowing it to maintain control over its operations while tapping into the growing consumer market in the country. This has enabled the company to establish a strong brand presence, increase its market share, and grow its revenue.

2. **Direct Exporting:** This strategy, involving the production of goods or services in the investor's home country and their subsequent sale in Pakistan, presents a low-risk avenue for investors who want to gauge the market before making a substantial commitment. Direct exporting allows investors to explore the business environment and consumer response without initially establishing a physical presence in Pakistan. Although this may not yield the highest profits in the long term due to the lack of direct market engagement, it remains an excellent preliminary step. To facilitate this process, investors

are recommended to engage a local representative, acting as a commissioned liaison or an importer/distributor.

3. **Agency Establishment or Distributor Appointment:** This method allows investors to penetrate the Pakistani market without directly engaging in the day-to-day operations. This strategy involves partnering with a local company or individual in Pakistan to act as an agent or distributor for your goods or services.

Establishing an agency or appointing a distributor allows businesses to take advantage of the local company's existing networks, market knowledge, and sales capabilities. In an agency setup, the agent typically acts on behalf of the foreign business, selling products or services and dealing with customers directly. The foreign business maintains control over the product or service, pricing, and overall brand image. The agent is paid on a commission basis, thus aligning their interests with the success of the foreign business in the Pakistani market.

In contrast, with a distributorship, the foreign business sells goods or services to the distributor, who then resells them in the local market. The distributor assumes more risk and control over how the product is marketed and sold. However, they can also bring valuable market insights and strong distribution networks, which can aid market penetration and growth. Both these models can be effective ways to enter the Pakistani market, depending on the nature of your business and the specific market dynamics. They allow foreign businesses to capitalize on local expertise and resources while mitigating the risk and cost of setting up a direct operation in Pakistan.



4. **Franchising:** This strategy has been successful for businesses like KFC and McDonalds, which expanded its brand in Pakistan through franchising. It involves granting permission to a local business to use the foreign investor's name, branding, and operating system in exchange for a fee and ongoing royalties. Franchising has emerged as a lucrative avenue for investors and corporations in Pakistan, particularly in the hospitality industry. Several prominent American hotel and restaurant chains have found representation in Pakistan through franchising. American brands currently hold a market share of approximately 70% in the franchising sector in Pakistan.

The Pakistani government does not impose any restrictions on foreign investors, but they are required to inform the Board of Investment and the State Bank of Pakistan, mainly for the purpose of repatriation of franchise fees or any profits earned.

There is a high demand for global brands in Pakistan, and the rapid growth of shopping malls in urban areas presents numerous opportunities. The retail sector has also experienced significant growth. Despite this, the franchising sector faces challenges, such as the State Bank of Pakistan's (SBP) exchange regulations, which impact the growth of the sector. Intellectual Property Rights (IPR) violations are also a major concern, with IPR infringements remaining widespread in Pakistan.

Further, the quality control of franchise operations, especially if they propose to use locally produced items, is a key consideration. Imported food items in Pakistan must be certifiably "halal" (slaughtered in accordance with Islamic ritual).





Moreover, the occasional import bans, like the one implemented temporarily in May 2022, can affect the local franchise industry in the food & beverages sector. Additionally, Pakistan's energy crisis and the less developed processed food market pose challenges to franchisees relying on imported ingredients.

**5. Joint Ventures:** In the landscape of international business expansion, a joint venture stands as a favoured strategy, promoting a seamless fusion of local knowledge with foreign innovation. With its diverse market and budding sectors, Pakistan welcomes joint ventures through an agreement between a foreign and a local company or firm.

The process of setting up a joint venture in Pakistan does not require registration under Pakistani law if it is an agreement. However, if the collaboration results in the formation of a firm or company, it needs to be registered under the Partnership Act of 1932 or the Companies Ordinance of 1984 respectively. Interestingly, the country imposes no special requirements for a foreign firm to enter into joint ventures, allowing for smooth initiation.

Agencies like the Board of Investment, geared towards attracting foreign investments in Pakistan, have opened up numerous sectors for joint ventures. These sectors span across a vast range including agribusiness, handicrafts, energy, mining & minerals,

textiles, publishing & media, fuels, machinery, telecommunications, ceramics, automotive, tourism, chemicals, electronics, forestry products, software, furniture, and construction.

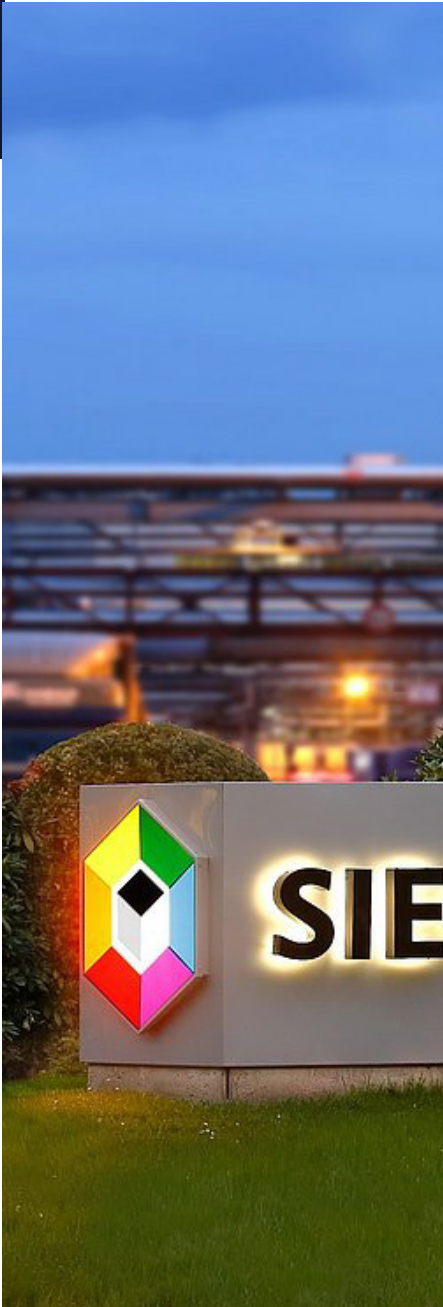
Engaging in a joint venture provides businesses with a unique opportunity to enter the Pakistani market alongside a local partner. The benefits of such a strategy are manifold. The local partner, being well-versed in the intricacies of the market, can offer valuable insights into cultural nuances, operational challenges, and potential market opportunities. Furthermore, joint ventures can effectively assist businesses in manoeuvring through regulatory constraints and establishing a solid presence in the local market.

A testament to the success of this strategy is the joint venture between Coca-Cola, the multinational beverage corporation, and a local bottling company in Pakistan. This alliance has enabled Coca-Cola to secure a robust foothold in the Pakistani market, capitalizing on the local partner's deep-rooted knowledge and expertise. The multinational giant has leveraged the local company's well-established distribution channels, facilitating efficient market penetration. This synergy has been instrumental in Coca-Cola's successful market expansion in Pakistan, underlining the power of joint ventures in navigating new markets.



## Case Examples

### 1. Siegwark and Rotopack's Joint Venture - Establishing a Significant Footprint in South Asia



In an ambitious expansion to South Asia's printing and packaging markets, Siegwark, a leading global provider of printing inks and coatings, partnered with Rotopack, a frontrunner in Pakistan's printing and packaging industry. This strategic alliance led to the establishment of a new company, Siegwark Pakistan, enhancing Siegwark's global brand availability and marking a notable development in its business footprint.

The foundation of Siegwark Pakistan was a result of a joint venture agreement signed on 13 October 2021, in Karachi, the city slated to house the new company. By targeting Pakistan, the 5th most populated country globally, Siegwark aimed to leverage a crucial market, as noted by Dirk Weissenfeldt, vice president of Business Unit Flexible Packaging EMEA at Siegwark. Partnering with Rotopack offered Siegwark an opportunity to strengthen its presence in South Asia and tap into Rotopack's comprehensive domestic market expertise and

connections. The synergy created by this joint venture allowed the partners to pool their knowledge and expertise, promising significant value addition for Pakistan's domestic market.

The joint venture's future location in the Karachi area was quickly identified, and construction activities commenced promptly. The anticipated operational start date for Siegwark Pakistan was set for 1 April 2022, focusing initially on the production of inks and coatings for flexible packaging applications. The partners also planned to diversify into other packaging segments, including water-based and UV products, down the line.

With the operational structure in place, the partners moved to form a local team of experts and specialists. Siegwark, committed to ensuring a strong start, arranged for training for the new team members in Turkey and Germany in the run-up to the spring 2022 operations.



## 2. Joint Venture between Nestle and Milkpak:

Nestle, a multinational food and beverage corporation from Switzerland, understood the importance of local understanding and integration when penetrating a new market. In 1988, to successfully launch their operations in Pakistan, they entered into a strategic partnership with Milkpak, a well-established and dominant dairy firm in Pakistan. This joint venture approach was a strategic move that allowed Nestle to benefit from Milkpak's vast local expertise and established networks.

By sharing the risks and resources, Nestle could ensure a smoother and more secure entry into the market. With time, due to this smart market entry strategy, Nestle Pakistan has grown into one of the country's leading entities in the food and beverage industry. Today, it commands an impressive product portfolio that caters to various consumer needs, backed by a strong brand presence that resonates with the local populace.

## 3. Franchise Agreement between KFC and Cupola:

Recognizing the opportunity in Pakistan's rapidly growing fast-food sector, KFC, a globally renowned fast-food chain, sought to establish its presence in 1997. Rather than building from scratch, KFC opted for a franchising agreement with Cupola, a local company with proven expertise in operating multiple franchises across the country. This arrangement provided KFC with an efficient way to enter the market without investing in a substantial physical infrastructure.

It leveraged Cupola's knowledge of local tastes, customs, and logistical know-how to tailor its services and offerings effectively. Today, this partnership has yielded impressive results, with KFC Pakistan emerging as a leading player in the country's fast-food sector. With a network of over 70 restaurants spread across more than 20 cities, it's a testament to a well-executed franchising strategy, capitalizing on the combination of global brand appeal and local market acumen.



## Case Examples

### 1. Siegwark and Rotopack's Joint Venture - Establishing a Significant Footprint in South Asia

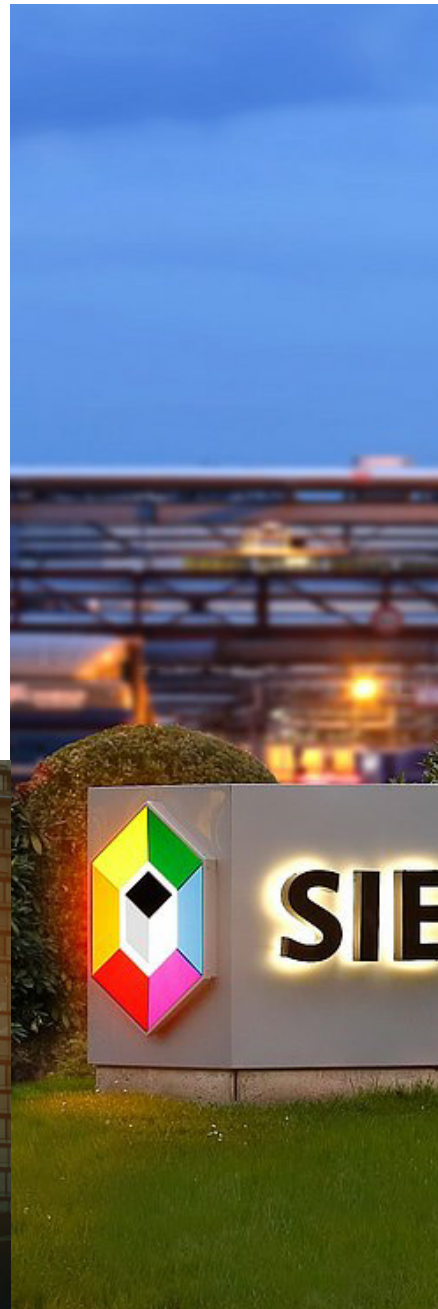
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## 8.1.2 Setting Up Operations in Pakistan: Legal and Regulatory Considerations

The key statutory guidelines for foreign companies wishing to establish a presence in Pakistan are outlined in the Companies Act, of 2017. Part XII (Sections 434 to 445) of this Act pertains to companies formed outside of Pakistan, and it sets the rules for setting up a place of business within the country. This segment of the Act mandates that all foreign companies planning to establish a 'place of business' in Pakistan must register with the Securities and Exchange Commission of Pakistan (SECP). Foreign companies are identified as entities incorporated or formed outside Pakistan. The Act also stipulates certain reporting obligations that foreign companies must adhere to.

These include the provision of copies of the company's constitution, bye-laws, the complete address of the registered office, a list of directors, audited balance sheets/profit or loss account, and the address of the company in Pakistan. Failure to register can have serious repercussions; unregistered foreign companies will be unable to initiate any lawsuits or claim any set-offs in Pakistani courts, although their contracts will still be considered valid. The term 'place of business' is broadly defined in the Act to include any kind of office a foreign entity may set up in Pakistan, be it a liaison or branch office. Therefore, it is essential for these offices to register with the SECP.

In addition to this statutory framework, the Board of Investment (BOI) occasionally

issues policy directives. For instance, the BOI stipulates that foreign companies planning to establish a branch/liasion office in Pakistan must submit an application using the BOI's provided format. The BOI also mandates the submission of an application for projects in the services, infrastructure, social, and agricultural sectors using another specific format. The BOI insists that all foreign companies must register with both the BOI and the SECP as per the Act's requirements.

For example, according to BOI policies, a liaison office is established to perform ancillary activities like maintaining quality control, providing technical advice and assistance, exploring potential joint collaborations, promoting exports, and educating Pakistani users about the company's products, among other things. However, it's important to note that a liaison office is not permitted to engage in any trading or commercial activities.

Foreign individuals or companies interested in setting up a Limited Liability Company in Pakistan have a range of options available to them, provided they meet the security clearance criteria. These include:

1. Establishing a Branch Office
2. Setting up a Liaison Office
3. Incorporating a New Company
4. Purchasing shares in an already established company.

### Overview of Legal Entities

| Type of Entity                       | Minimum No. of Shareholders | Minimum Capital Requirement  | Standard Time of Incorporation |
|--------------------------------------|-----------------------------|------------------------------|--------------------------------|
| Private Limited Company              | 2                           | PKR 100,000* (US\$ 600)      | 6 weeks                        |
| Single Member Company                | 1                           | PKR 100,000* (US\$ 600)      | 4 weeks                        |
| Public Limited Company (Listed)      | 3                           | PKR.200* million (US\$ 1.2M) | 6 weeks                        |
| Public Limited Company (Unlisted)    | 3                           | PKR 100,000* (US\$ 600)      | 6 weeks                        |
| Branch Office                        | No shareholders             | N/A                          | 7 weeks                        |
| Liaison Office/Representative Office | No shareholders             | N/A                          | 7 weeks                        |

\*Subject to the present exchange rate of dollar  
Source: SECP

### 8.1.3 How to establish a branch/liasion office

The Board of Investment (BOI) in Pakistan authorizes foreign companies to establish their Branch or Liaison Offices in the country.

A Branch Office is set up by a foreign company to meet its contractual commitments with the Pakistani public or private sectors. Its activities are restricted to the tasks stipulated in the agreed contract. However, it is prohibited from participating in any commercial or trading activities.

A Liaison Office, on the other hand, is formed by a foreign company for product promotion, providing technical advice and assistance, exploring potential joint collaboration opportunities, and promoting exports. Like a Branch Office, it is also prohibited

from engaging in any commercial or trading activities.

The permission granted by the BOI for opening such offices is usually valid for a period ranging from 1 to 5 years and is renewable provided that all necessary documentation and fees are supplied.

- The fees for establishing a Branch/Liaison office are \$3000/\$2000 US, respectively, for the initial one-year period. The fee for a Sub-Office of a Branch Office is \$1500 US, and for a Sub-Office of a Liaison Office, it is \$1000 US.

- These amounts (in US dollars or the equivalent in Pakistani Rupees) should be deposited in the Board of Investment Account maintained with the National Bank of Pakistan, Main Branch, Civic Centre, Islamabad.

The procedure to establish these offices is as follows:



For  
Branch  
Office

Completed and signed the application form with the company stamp.  
 Attested copy of the company's registration, verified by the relevant Pakistani Embassy.  
 Copy of the company's Article of Memorandum of Association, verified by the Pakistani Embassy.  
 Copy of the company's Resolution/Authority letter to establish a Branch/Liaison Office in Pakistan.  
 Company Profile.  
 CV of the designated person authorized to act on behalf of the company, including a copy of their passport/CNIC.  
 Copy of the contract agreement (only for Branch Offices).  
 One original and five copies, along with a digital copy sent to registration@pakboi.gov.pk  
 Original Receipt of processing fee of 3000US\$ for Branch Office

For  
Liaison  
Office

Copy of Registration of Company duly attested by respective Pak Embassy  
 Copy of Article of Memorandum of Association duly attested by respective Pak Embassy  
 Also, the copy of the Resolution /Authority letter of the company to establish Branch/Liaison Office in Pakistan  
 Company Profile  
 CV of the Designated person authorized to act on behalf of the company + copies of Passport & NIC  
 Original Receipt of processing fee of 2000US\$ of Liaison Office

### 8.1.3 Incorporating a new company

#### Phase 1: Selection of a Category

##### Sequential Procedure for Registering a Wholly Owned Foreign Subsidiary

A wholly owned subsidiary refers to a company in which all the shares are owned by another firm. If a foreign company undertakes 100% Foreign Direct Investment (FDI) in Pakistan, the Pakistani entity thus becomes the wholly owned subsidiary of that foreign company.

Such a subsidiary, where the entire share capital is held by foreign corporate bodies, can be established as a private, limited, or limited liability company. Due to the various exemptions accorded to a private company limited by shares under Pakistan's Companies Ordinance 1984, it is advisable to set up the wholly owned subsidiary as a private company.

Wholly owned subsidiaries with 100% foreign equity are permissible in all sectors of Pakistan's economy, including manufacturing, trading, and services.

They come with full rights of repatriation of capital and dividends through a commercial bank without needing frequent access to the State Bank of Pakistan (Central Bank). Foreign investors are additionally offered legal protection against nationalization, expropriation, and currency inconvertibility, with entitlements to fair compensation at market value for such contingencies.

A Limited Liability Company is classified into two categories:

1. Private Limited Company
2. Public Limited Company (either unlisted or listed)

A private limited company necessitates a minimum of 2 members and 2 directors. It can start its operations right after incorporation. The company's Articles of Association (AoA) limit the right to share transfer, caps the member count to fifty (50), and bans public subscription for its shares. Private Limited (Requires at least two and a maximum of 50 shareholders, along with at least two directors) This business type is suited for foreign businesses that have multiple shareholders or partners.

A single-member company, as the name suggests, has a single member who is also the sole director. All shares are held by this member; however, the nomination of an individual as nominee director, who acts as a director in the event of the member's death, is mandatory. A corporate entity cannot become its member or director. Single Member Company (Allows for a single shareholder and at least one direc-

tor) This is a fitting choice for foreign businesses that have only one shareholder. A public unlisted company requires at least 3 members and 3 directors. It must obtain a 'Certificate of Commencement of Business' from the Registrar of Companies, Securities and Exchange Commission of Pakistan before starting operations.

There is no upper limit on the number of members and no restriction on share transfer. It has the option to list its securities/shares on the Pakistan Stock Exchange. Then, it should have a minimum of 7 members and 7 directors, a minimum paid-up capital of Rs. 200 million, and it must make a public offer/issue of its shares with at least 500 subscribers. The post-issue paid-up capital should be a minimum of Rs.500 million.

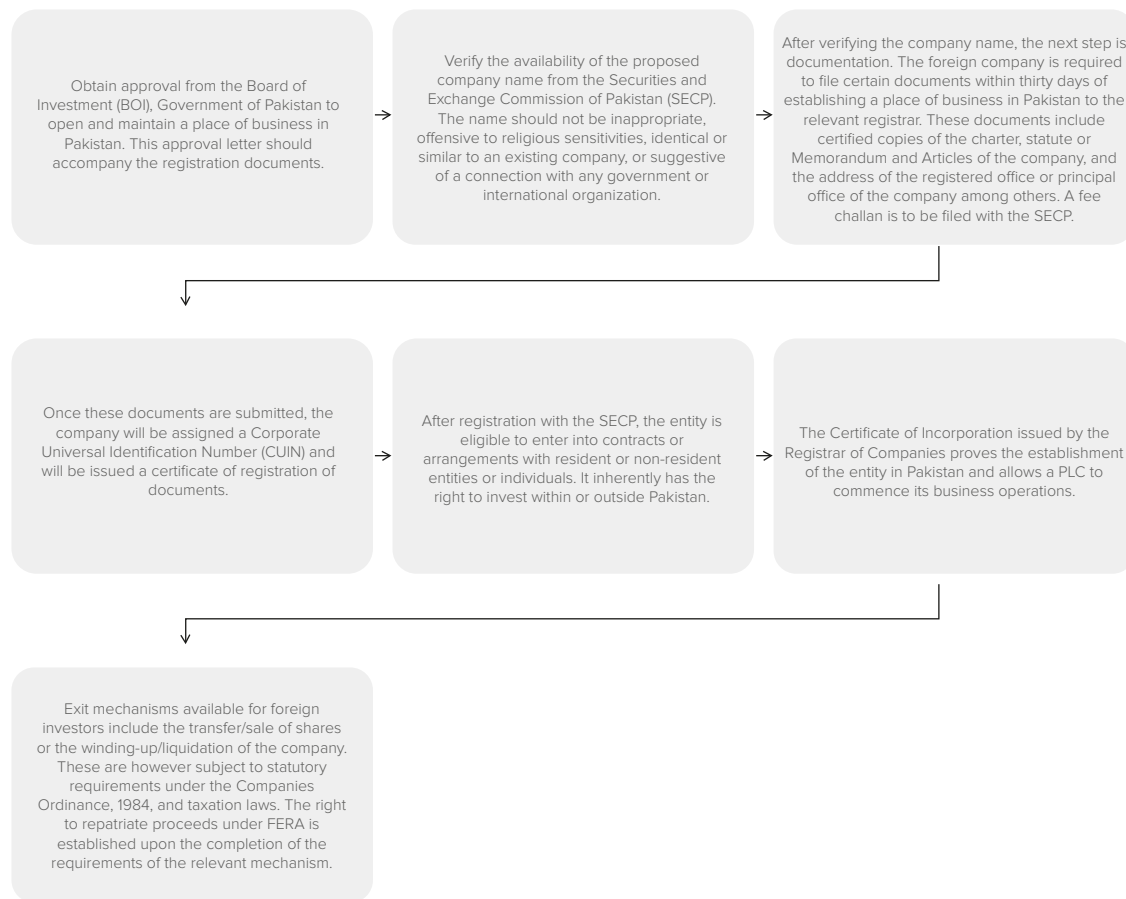
Comparison of different company types is as follows:

| Type of Company                   | Minimum number of shareholders/members | Maximum number of shareholders/members | Minimum number of directors | Transfer of Shares |
|-----------------------------------|--|--|-----------------------------|--------------------|
| Single Member Company             | 01                                     | 01                                     | 01                          | Restricted         |
| Private Limited Company           | 02                                     | 50                                     | 02                          | Restricted         |
| Public Limited Company (unlisted) | 03                                     | Unlimited                              | 03                          | No Restricted      |
| Public Limited Company (listed)   | 500                                    | Unlimited                              | 7                           | No Restricted      |



A private limited company can be incorporated as a wholly owned subsidiary of a body corporate or as a joint venture company with local investors under the Companies Ordinance, 1984, and the Companies General Provisions and Form Rules, 1985.

This process involves preparing and submitting the constitution and identity documents of the investing company and directors of the proposed company to the Securities and Exchange Commission of Pakistan (SECP). The incorporation process begins with the reservation of the company's name and concludes with the issuance of the Certificate of Incorporation. The SECP typically completes incorporation within 1 week of document submission and prescribed fee payment.



## Phase 2: Collection of Necessary Documentation

When establishing a company in Pakistan, it's crucial to follow the required procedure and ensure all necessary documentation is correctly compiled and submitted. This involves engaging with the Securities and Exchange Commission of Pakistan (SECP), the governing body responsible for company registrations. This section provides a comprehensive guide, detailing the documents and information required for successful incorporation, ensuring the process is navigated effectively and accurately. From defining the company's name to providing details about shareholders, directors, and business activity, the ensuing table lays out every element in a straightforward, easy-to-understand format. This ensures that every stage of the incorporation process is transparent, setting the stage for successful company establishment in Pakistan.

| Sr.No | Document  | Description  |
|-------|---|--|
| 01    | Name of the company                               | The official name that the company will be registered under.   |
| 02    | Main Business Activity                            | A short description of the business that the company will be conducting.   |
| 03    | Pakistani mailing address                         | The company's official mailing address in Pakistan.  |
| 04    | Names of the shareholder(s), Director(s), and CEO | Details of key members of the company, along with copies of passports for foreigners or CNIC/POC/NICOP for Pakistanis.   |
| 05    | Shareholder subscription information              | Information on the shares that each shareholder will subscribe to.   |
| 06    | Declaration by foreign shareholders and directors | A declaration in a prescribed format by the foreign shareholders and directors.  |
| 07    | Foreign company-related documents                 | Required if the proposed shareholder is a foreign company.   |
| 08    | Company Profile                                   | A comprehensive overview of the company.   |
| 09    | Director Details                                  | Information about the directors, including their nationality and country of origin.  |
| 10    | Board Resolution                                  | Official sanction of investment in a local company by the board of directors.  |
| 11    | Articles of association                           | The document specifies the regulations for a company's operations.   |
| 12    | Memorandum of association                         | A legal document that defines the relationship between the company and its shareholders.   |
| 13    | Certificate of incorporation                      | Official proof of the company's existence.   |
| 14    | Proof of payment of the incorporation fee         | The fee can vary depending on the authorized capital, and it can be as low as approximately PKR 3,000.   |
| 15    | Certification of documents                        | All collected documents/information concerning the foreign company must be certified as accurate by a public officer in the country of the company's establishment, a Notary public of the company's home country, or an affidavit from a responsible officer of the company in its home country.          |
| 16    | Authentication of documents                       | All documents must be authenticated by a Pakistani diplomatic consular or consulate officer. After these documents have been provided to the SECP, the SECP will then issue a certificate of incorporation, and a National Tax Number (NTN) will be allocated to the company at the time of incorporation. |



### 8.1.4 Navigating Security Clearance for Foreign Entities in Company Registration or Acquisition in Pakistan

In both scenarios, the process for security clearance is similar when a foreign national is appointed as a director or CEO, or when shares are transferred to a foreign national or company. The Securities and Exchange Commission of Pakistan (SECP) accepts documents for new company registrations, share transfers, and director appointments based on an Undertaking. This Undertaking stipulates that if security clearance is not confirmed, the foreign director/shareholder/CEO will transfer their shares or resign their position. If a foreign entity acquires shares, the company can continue operations provided that the relevant foreign entity submits a guarantee that if clearance is not granted, they will either transfer their shares or resign from the Board of Directors.

| If a foreign national assumes a role as a shareholder or director of a company in Pakistan   | If a foreign company is a shareholder   |
|--|---|
| 1. Comprehensive bio-data of all proposed directors, CEOs, and shareholders.   | 1. Full company name and certificates of incorporation, notarized and attested by the Pakistani Embassy.  |
| 2. Resumes and proof of qualifications of each non-resident director and member.   | 2. Copies of the company's Memorandum of Association and Articles of Association (i.e., constitutional documents), notarized and attested by the Pakistani Embassy. |
| 3. Copies of valid passports and nine colour passport-sized photographs of all individuals seeking security clearance.   | 3. A filled-out bio-data verification form by the directors and CEO, along with a CV and valid passport copy.   |
| 4. Contact details including postal address, phone number, and email ID of all individuals.  | 4. Copies of passport, CV, and three coloured passport-sized photos of the directors and CEO.   |
| 5. Signed, notarized undertakings in the prescribed form from all individuals, promising that in case of security clearance rejection, they will either transfer their shares, submit an application for security clearance, or take steps that do not require a security clearance. | 5. List of shareholders, a brief company profile, and a board resolution authorizing the purchase of shares in Pakistan.  |

| If a foreign national assumes a role as a shareholder or director of a company in Pakistan | If a foreign company is a shareholder  |
|--|--|
|  | 6. Contact details, including the registered office address, telephone number, fax number, and official email ID.  |
|  | 7. A notarized undertaking in the prescribed format, signed by an authorized person (as per board resolution) of the foreign company and attested by the Pakistani Embassy.                                    |
|  | 8. A power of attorney for the person executing the undertaking on behalf of the foreign company.  |
|  | 9. Detailed information for each director and shareholder of the foreign company, including name, date of birth, nationality, residential and business addresses, and position (director/shareholder/partner). |

### 8.1.5 Outward Flow of Foreign Investment Returns

A company wishing to repatriate foreign investment earnings must first secure an 'Entitlement Certificate' from the State Bank of Pakistan. This certificate is essential for the remittance of funds on a repatriation basis from investment in Pakistan. Upon the company's request, the State Bank will appoint an authorized dealer to handle the dividend remittance to non-resident shareholders, adhering to the procedure outlined in the Foreign Exchange Manual. These authorized dealers have typically scheduled banks and are responsible for managing all incoming and outgoing remittances.



## 8.2 Legislation and Tax Incentives

In the dynamic and complex landscape of global business, understanding the taxation and regulatory environment of a country is crucial for successful operations. This is particularly true for Pakistan, a country with a multifaceted legal system that encompasses a range of direct and indirect taxes, corporate regulations, and key legislation. The taxation system in Pakistan is comprehensive, mandating every business and taxable individual to register with the tax authorities. The country's legal framework, influenced by the British common law system, includes pivotal legislation such as the Income Tax Ordinance of 2001, the Companies Act of 2017, and the Pakistan Environmental Protection Act of 1997.

These laws, along with the regulatory oversight provided by bodies such as the Securities and Exchange Commission of Pakistan (SECP), the State Bank of Pakistan (SBP), and the Competition Commission of Pakistan (CCP), shape the business environment in Pakistan. This section provides an exploration of these elements, offering insights into the country's income tax, corporate tax, sales tax, customs duties, import controls, documentation requirements, and other direct taxes. The taxation system in Pakistan includes both direct and indirect taxes. It is mandatory for every business and taxable individual to register with the tax authorities.

| Tax Type       | Description   |
|----------------|---|
| Income Tax     | Governed by the Income Tax Ordinance, 2001, this tax applies to businesses and individuals in Pakistan, providing for a progressive tax system. Businesses are required to file annual tax returns and pay taxes on their income. The ordinance also provides for penalties and fines for non-compliance. |
| Corporate Tax  | The corporate tax rate in Pakistan is set at 30% by the Federal Board of Revenue. This tax is collected from companies based on their net income earned during one business year.   |
| Sales Tax      | The sales tax rate in Pakistan is set at 17% by the Federal Board of Revenue. This tax is charged to consumers based on the purchase price of certain goods and services.   |
| Customs Duties | Customs duties in Pakistan change annually. In the 2017 budget, the Government of Pakistan reduced the maximum general tariff rate from 25% to 20% (except on vehicles). These duties are in addition to port charges, clearance charges, and transportation costs.                                       |

| Tax Type           | Description  |
|--------------------|--|
| Import Controls    | There are certain items that are prohibited from being exported to Pakistan, as listed in the Import Policy Order 2015 to 2018. Alcoholic beverages are not permitted for import, except for non-Muslims, who can import enough for their own consumption. Additionally, exports and imports to and from Israel are prohibited. For clearance, an agent requires a shipment invoice, packing list, bill of lading, copy of the letter of credit or contract, copy of the Sales Tax Registration Certificate as an importer, copy of the National Tax Number, and a copy of the most recent sales tax return. |
| Other Direct Taxes | In addition to the above, there are various other direct taxes in Pakistan, including Capital Value Tax, Property Tax, and Stamp Duties.   |

## 8.3 Key Legislation:

### 8.3.1 The Companies Act 2017 (CA 2017):

The Companies Act of 2017 (CA 2017) is the cornerstone of corporate law in Pakistan, replacing the Companies Ordinance of 1984. This comprehensive legislation governs all facets of company law, from the inception of a company to its dissolution, and plays a pivotal role in shaping the corporate landscape in Pakistan.

The CA 2017 fosters the expansion of the corporate sector by simplifying the process of business incorporation and operation. This ease of doing business encourages both local and foreign investments, thereby stimulating economic growth.

The Act also safeguards the interests of shareholders and creditors, providing a robust framework for their protection. This includes provisions for minority shareholder rights, dispute resolution, and mechanisms to prevent fraudulent activities, thereby ensuring the stability and integrity of the corporate sector.

Promoting good corporate governance is another key aspect of the CA 2017. It mandates companies to operate responsibly and transparently, requiring them to adhere to strict reporting and disclosure standards. This fosters trust and confidence among investors, stakeholders, and the public, which is crucial for the long-term prosperity of the corporate sector.



## 8.2 Legislation and Tax Incentives

The CA 2017 also serves as a regulatory tool for the corporate sector, ensuring companies adhere to the law and abstain from illicit or unethical activities. It provides the Securities and Exchange Commission of Pakistan (SECP) with the authority to supervise and regulate companies, enhancing compliance and corporate accountability.

Key provisions of the CA 2017 include:

- **Incorporation:** The Act outlines the prerequisites for establishing a company in Pakistan, such as the need for a minimum of two shareholders, a memorandum of association, and articles of association. It also provides for the incorporation of single-member companies, private and public companies, and not-for-profit associations.
- **Management:** The Act stipulates the requirements for company management, including the necessity for a board of directors and a managing director. It also outlines the duties and responsibilities of directors, ensuring they act in the best interests of the company and its stakeholders.
- **Accounting and Auditing:** The Act prescribes the accounting and auditing requirements for companies. These include maintaining proper accounting records, preparing financial statements in accordance with approved accounting standards, and having the accounts audited by a chartered accountant or a firm of chartered accountants.
- **Winding Up:** The Act details the procedures for dissolving a company. This includes voluntary winding up by members

or creditors, compulsory winding up by the court, and winding up under the supervision of the court. The Act also provides for the appointment of a liquidator and the distribution of assets upon winding up. In essence, the CA 2017 is a comprehensive piece of legislation that encapsulates all aspects of company law in Pakistan. It plays a significant role in shaping the corporate environment, promoting economic growth, and ensuring the integrity and accountability of companies operating in Pakistan.

The Companies Act 2017 (CA 2017) holds significant importance for foreign investors, as it offers a comprehensive and transparent framework for the establishment and operation of companies in Pakistan. It delineates the rights and responsibilities of shareholders, directors, and creditors, thereby safeguarding the interests of all stakeholders.

Here are some specific reasons why the CA 2017 is crucial for foreign investors:

- **Transparent Legal Framework:** The CA 2017 provides a comprehensive legal structure that outlines the requirements for incorporating, managing, and dissolving a company in Pakistan. This clarity reduces uncertainty and risk for foreign investors, making it easier for them to navigate the business landscape in Pakistan.
- **Protection of Foreign Investors' Interests:** The CA 2017 includes numerous safeguards for shareholders, directors, and creditors. These measures ensure the protection of foreign investors' interests, which is vital for attracting and retaining foreign investment.

- **Equal Opportunities for All Investors:** The CA 2017 applies uniformly to all companies, irrespective of whether they are owned by foreign or local investors. This ensures non-discrimination and provides foreign investors with the same opportunities as their local counterparts.

In summary, the CA 2017 is a pivotal piece of legislation that offers a clear and comprehensive framework for the establishment and operation of companies in Pakistan. Its provisions make Pakistan an attractive destination for foreign investment and ensure the protection of all stakeholders.

In addition to the CA 2017, foreign investors should also be cognizant of other applicable laws and regulations, such as the Foreign Exchange Regulation Act (FERA) and the regulations of the Securities and Exchange Commission of Pakistan (SECP). It is advisable for foreign investors to consult with a legal advisor to ensure compliance with all relevant laws and regulations.

### 8.3.2 Income Tax Ordinance of 2001

The Income Tax Ordinance of 2001 (ITO) is the primary law governing income tax in Pakistan. It was enacted in 2001 to replace the Income Tax Act, 1961. The ITO is a comprehensive law that covers all aspects of income tax, from liability to assessment to collection. This ordinance regulates the taxation of businesses and individuals in Pakistan, providing for a progressive tax system. Businesses are required to file annual tax returns and pay taxes on their income. The ordinance also provides for penalties and fines for non-compliance. It

covers various aspects of income tax, including the determination of taxable income, the calculation of tax liability, and the administration and enforcement of the tax.

The ITO has a number of important roles in the Pakistani economy. It:

- **Raises revenue for the government:** The ITO is the primary source of revenue for the government of Pakistan. In 2022-23, the government is projected to collect Rs. 6.1 trillion in income tax.
- **Regulates the economy:** The ITO helps to regulate the economy by discouraging certain activities, such as tax evasion. It also helps to promote certain activities, such as investment and savings.
- **Provides a level playing field:** The ITO applies to all taxpayers, regardless of their nationality or residence. This helps to ensure that all taxpayers are treated equally and that there is no discrimination.
- **Protects the interests of taxpayers:** The ITO sets out a number of safeguards for the interests of taxpayers. This helps to ensure that taxpayers are not unfairly treated and that they have the right to appeal against assessments.

The ITO is a significant piece of legislation that has a major impact on the Pakistani economy. It is a complex law, but it is essential for understanding how income tax is levied and collected in Pakistan.

Here are some of the key features of the ITO:



- **Liability:** The ITO sets out the criteria for determining who is liable to pay income tax. These criteria include residence, citizenship, and source of income.
- **Assessment:** The ITO sets out the process for assessing income tax liabilities. This process includes the determination of taxable income, the calculation of tax liability, and the issuance of assessments.
- **Collection:** The ITO sets out the process for collecting income tax liabilities. This process includes the issuance of demand notices, the collection of taxes, and the enforcement of tax laws.

**The Income Tax Ordinance is crucial for foreign investors for several reasons:**

**1.Understanding Tax Liability:** The Ordinance provides a clear framework for the taxation of businesses and individuals in Pakistan, including foreign investors. It helps investors understand their potential tax liability, which is a critical factor in investment decisions.

**2.Avoiding Double Taxation:** The Ordinance includes provisions related to double taxation agreements that Pakistan has with various countries. These provisions can help foreign investors from those countries avoid being taxed twice on the same income.

**3.Tax Incentives:** The Ordinance may contain tax incentives for foreign investment in certain sectors or regions of Pakistan. Understanding these incentives can help foreign investors maximize their returns.

**4.Compliance with Local Laws:** Compliance with the Income Tax Ordinance is mandatory for all businesses operating in Pakistan, including those with foreign investments. Non-compliance can result in penalties and fines, and may also harm the business's reputation.

**5.Planning and Forecasting:** Understanding tax laws, including the Income Tax Ordinance, can help foreign investors in financial planning and forecasting. It can also help them structure their investments in a tax-efficient manner.

**6.Resolving Tax Disputes:** The Ordinance provides a legal framework for resolving tax disputes, which can be particularly important for foreign investors who may not be familiar with Pakistan's legal system.

**8.3.3 Sales Tax Act**

This act is part of the primary law regulating companies' formation, incorporation, and operations in Pakistan. It applies to all goods except those exempted under section 13 as mentioned under the 6th Schedule of the Sales Tax Act, 1990. Goods include every kind of movable property other than actionable claims, money, stocks, shares, and securities.

All goods imported into Pakistan are liable to sales tax at the time of import, except goods specifically exempted under section 13 as mentioned in the Sixth Schedule to the Act. Other exemptions are available through various notifications (SROs) issued by the Government under section 13. Sales Tax is a tax levied by the Federal Government under the Sales Tax Act, 1990, on sale

and supply of goods and on the goods imported into Pakistan.

Sales Tax on services is levied by the Federal Government under The Islamabad Capital Territory (Tax on Services) Ordinance, 2001. The general Sales Tax rate has been increased to 18% effective 14 February 2023. A 25% higher rate of Sales Tax applies to a wide range of goods imported and supplied in Pakistan and for some locally manufactured vehicles effective 8 March 2023. The STA is a complex law, and there are many different provisions that govern the taxation of goods and services.

However, the main features of the STA can be summarized as follows:

- **Sale and supply of goods:** Sales tax is levied on the sale and supply of goods in Pakistan. The sale of goods includes the transfer of ownership of goods for consideration. The supply of goods includes the transfer of possession of goods for consideration.

**Zero-rated supplies:** Certain supplies of goods are zero-rated, which means that they are not subject to sales tax. Zero-rated supplies include exports, supplies to international organizations, and supplies to certain government entities.

- **Exempted supplies:** Certain supplies of goods are exempt from sales tax. Exempt supplies include supplies of goods that are essential for basic needs, such as food and medicine.
- **Registration:** Businesses that are required

to register for sales tax are required to collect sales tax on their sales and to file sales tax returns. The criteria for registration are based on the annual turnover of the business.

- **Administration and enforcement:** The STA is administered and enforced by the Federal Board of Revenue (FBR). The FBR has a number of powers to ensure that sales tax laws are complied with, including the power to inspect businesses, collect information, and impose penalties.

**The Sales Tax Act of Pakistan (STA) is important for foreign investors because:**

- **Profitability:** Sales tax can increase the cost of goods and services, which can reduce the profitability of foreign investors. For example, if a foreign investor sells goods in Pakistan, they will be required to collect sales tax on those goods. This will increase the cost of the goods, which could reduce the demand for them.

- **Compliance:** Foreign investors must comply with the STA in order to avoid penalties. This can be a complex and time-consuming process, especially for businesses that are not familiar with Pakistani tax laws.

In addition to the STA, foreign investors should also be aware of other taxes that may apply to their business, such as income tax, withholding tax, and customs duties.

Here are some tips for foreign investors to stay compliant with the STA:



- Register for sales tax: Foreign investors that are required to register for sales tax should do so as soon as possible. This will help them to avoid penalties and to ensure that they are collecting the correct amount of sales tax.
- File sales tax returns: Foreign investors that are required to file sales tax returns should do so on time and accurately. This will help them to avoid penalties and to ensure that they are paying the correct amount of sales tax.
- Keep good records: Foreign investors should keep good records of their sales and purchases. This will help them to calculate the correct amount of sales tax and to comply with the STA.

### 8.3.4 Pakistan Environmental Protection Act of 1997

This act provides for the protection and conservation of the environment and sets out the responsibilities of individuals and businesses in this regard. Businesses are required to obtain environmental clearance before undertaking any development activities that may impact the environment. The act also provides for fines and penalties for non-compliance. It covers a wide range of environmental issues, including air and water pollution, waste management, and biodiversity conservation.

The Pakistan Environmental Protection Act of 1997 (PEPA 1997) is a critical piece of legislation for foreign investors for several reasons:

**1.Regulatory Compliance:** PEPA 1997 sets out the environmental standards that

businesses must adhere to when operating in Pakistan. Understanding and complying with these standards is crucial for foreign investors to avoid legal issues, fines, and penalties.

**2.Environmental Clearance:** The Act requires businesses to obtain environmental clearance before initiating any development activities that could impact the environment. This is particularly important for foreign investors involved in sectors such as manufacturing, energy, and infrastructure, where projects can have significant environmental impacts.

**3.Reputation and Corporate Responsibility:** Compliance with environmental laws like PEPA 1997 is an important aspect of corporate social responsibility. Foreign investors who adhere to these laws demonstrate a commitment to sustainable business practices, which can enhance their reputation and make their businesses more attractive to customers, partners, and investors.

**4.Risk Management:** PEPA 1997 helps foreign investors identify and manage environmental risks associated with their investments. By requiring environmental impact assessments for certain projects, the Act ensures that potential environmental issues are identified and addressed early on, reducing the risk of costly problems in the future.

**5.Sustainable Development:** The Act promotes sustainable development, which is increasingly important for long-term business success. Foreign investors who comply with PEPA 1997 are not only adhering to the law but are also contributing to

the sustainable development of Pakistan, which can have long-term benefits for their businesses.

In summary, the Pakistan Environmental Protection Act of 1997 is an essential piece of legislation for foreign investors. It helps ensure that their investments are environmentally sustainable, legally compliant, and socially responsible, all of which are crucial for successful business operations in Pakistan.

### 8.3.5 Federal Excise Tax:

The Federal Excise Tax rate has increased for a number of products, including cigarettes, and sweetened and aerated beverages. The Federal Excise Act governs the imposition and collection of federal excise duty. The Act covers a wide range of goods and services, including tobacco, petroleum products, and certain types of vehicles.

The Federal Excise Tax can significantly impact foreign investors in several ways:

**1.Cost of Doing Business:** An increase in the Federal Excise Tax rate on certain products can increase the cost of doing business. For instance, if a foreign investor is involved in the production or import of goods such as cigarettes, sweetened and aerated beverages, petroleum products, or certain types of vehicles, the increased tax rate could lead to higher costs.

**2.Pricing Strategy:** The increased tax rate may also affect the pricing strategy of businesses. Companies may need to pass on the increased costs to consumers, which could affect demand for their products.

**3.Profitability:** Higher taxes can reduce the profitability of businesses, which could impact the return on investment for foreign investors.

**4.Regulatory Compliance:** Foreign investors need to ensure that they comply with all tax laws, including the Federal Excise Act. Non-compliance can lead to penalties and legal issues and can harm the reputation of the business.

### 8.3.6 Labour Laws:

These laws are part of the primary law regulating companies' formation, incorporation, and operations in Pakistan. They are one of the essential laws that govern business operations in Pakistan. The labour laws cover a wide range of issues, including employment contracts, minimum wages, working hours, health and safety regulations, and workers' rights and benefits. The laws aim to protect the rights of workers and promote fair and safe working conditions.

**Labour laws also have a significant impact on foreign investors:**

**1.Employment Costs:** Labor laws govern issues such as minimum wages, working hours, and workers' benefits. These can directly impact the cost of labour, which is a significant factor in the overall cost of doing business.

**2. Workplace Standards:** Labor laws set standards for health and safety regulations in the workplace. Foreign investors need to ensure that their businesses comply with these standards, which can involve costs for things like safety equipment, training,





and compliance monitoring.

**3.Employee Relations:** Compliance with labour laws is crucial for maintaining good relations with employees. Businesses that respect workers' rights and provide fair and safe working conditions are more likely to have a motivated and productive workforce.

**4.Legal Compliance and Reputation:** Non-compliance with labour laws can lead to legal issues, penalties, and damage to a business's reputation. It's important for foreign investors to understand and comply with labour laws to avoid these risks.

**8.4 Tax Treaty Between Finland and Pakistan:**

The tax treaty between Finland and Pakistan was signed on the 30th of December, 1994. Some of the salient points of the tax treaty are as follows:

1.The treaty specifies that if an individual resides in either Finland or Pakistan and earns an income not previously discussed in the treaty, they will be taxed in the country where they live. However, if the income is earned in the other country, they might also be taxed there.

2.The treaty includes methods to prevent individuals from being taxed twice on the same income. For instance, in Finland, if a resident earns income that could also be taxed in Pakistan, they are allowed to deduct the tax paid in Pakistan from their Finnish tax. Furthermore, if a company in Pakistan pays dividends to a Finnish company that holds at least 10% voting power, these dividends are not subjected to Finnish tax.

3. In Pakistan, the treaty allows the tax that a resident would pay in Finland on income earned there to be credited against their Pakistani tax, thus avoiding double taxation.

4. The treaty also ensures non-discrimination in taxation between the two countries. This means that a resident of one country won't be subjected to more burdensome taxation or associated obligations in the other country than its own residents under similar conditions.

5. The treaty outlines rules for the taxation of royalties and technical service fees. These may be taxed in the country where they originate, but if the recipient is the actual owner, the tax imposed cannot exceed 10% of the total amount.

6. The treaty covers tax on profit made from selling real estate located in the other country. Such a profit can be taxed in the country where the property is situated.

In terms of Finland-Pakistan trade, the treaty aids by clearly defining tax rules on income, royalties, technical service fees, and profits from selling real estate. This could potentially facilitate trade by reducing uncertainty and preventing double taxation. However, the precise benefits would depend on the nature of the trade activities and the specific tax scenarios of the businesses involved.

**8.5 Summary of different kinds of Ownership structures for foreign investors:**

| Description                                     | Single Member Private Limited Company   | Private Limited Company   | Subsidiary of Foreign Company   | Branch Office of Foreign Company in Pakistan  | Liaison Office of Foreign Company in Pakistan   | Public Limited Company  |
|---|---|---|---|---|---|---|
| HOW COMPANY NAME IS WRITTEN IN LEGAL DOCUMENTS? | .....(SMC-PVT.) LTD. OR ..... (SMC-PRIVATE) LIMITED                                       | .....(PVT.) LTD. OR ..... (PRIVATE) LIMITED   | If 100% owned by the foreign company, then..... (SMC-PVT.) LTD. OR .....(SMC-PRIVATE) LIMITED | HOW COMPANY NAME IS WRITTEN IN LEGAL DOCUMENTS?   | .....(SMC-PVT.) LTD. OR ..... (SMC-PRIVATE) LIMITED                                       | .....(PVT.) LTD. OR .....(PRIVATE) LIMITED  |
| RELEVANT COMPANY REGISTRATION AUTHORITY         | Relevant Company Registration Office, Securities & Exchange Commission of Pakistan (SECP) | Relevant Company Registration Office, Securities & Exchange Commission of Pakistan (SECP) | Relevant Company Registration Office, Securities & Exchange Commission of Pakistan (SECP)     | Relevant Company Registration Office, Securities & Exchange Commission of Pakistan (SECP) | Relevant Company Registration Office, Securities & Exchange Commission of Pakistan (SECP) | Relevant Company Registration Office, Securities & Exchange Commission of Pakistan (SECP) |
| MINIMUM NUMBER OF MEMBERS OR SHAREHOLDERS       | Only One (1)  | Two (2)   | Only One (1)  |   |   | UNLISTED: Three (03) LISTED: Seven (07)   |
| MAXIMUM NUMBER OF MEMBERS OR SHAREHOLDERS       | Only One (1)  | Fifty (50)  | Fifty (50)  |   |   | UNLIMITED   |
| LOCAL RESIDENT SHAREHOLDERS / DIRECTORS         | Local Resident Shareholder(s) or Director(s) NOT mandatory                                | Local Resident Shareholder(s) or Director(s) NOT mandatory                                | Local Resident Shareholder(s) or Director(s) NOT mandatory                                    | Local Resident Shareholder(s) or Director(s) NOT mandatory                                | Local Resident Shareholder(s) or Director(s) NOT mandatory                                | Local Resident Shareholder(s) or Director(s) NOT mandatory                                |
| MINIMUM AUTHORIZED SHARE CAPITAL                | PKR 1 (However a standard capital of PKR 100,000 is being used / recommended)             | PKR 1 (However a standard capital of PKR 100,000 is being used / recommended)             | PKR 1 (However a standard capital of PKR 100,000 is being used / recommended)                 | PKR 1 (However a standard capital of PKR 100,000 is being used / recommended)             | PKR 1 (However a standard capital of PKR 100,000 is being used / recommended)             | PKR 1 (However a standard capital of PKR 100,000 is being used / recommended)             |
| MINIMUM PAID-UP/SUBSCRIBED CAPITAL              | As decided by Company   | As decided by Company   | As decided by Company   | Same as in Foreign Company  | Same as in Foreign Company  | As decided and articulated by the Company in its Articles of Association.                 |



| Description   | Single Member Private Limited Company  | Private Limited Company  | Subsidiary of Foreign Company  | Branch Office of Foreign Company in Pakistan  | Liaison Office of Foreign Company in Pakistan   | Public Limited Company  |
|---|--|--|--|---|---|---|
| WHO CAN BE DIRECTOR OF THE COMPANY?                                       | Only shareholders can be Director of the Company   | Only shareholders can be Director of the Company   | Nominee Director will act as Director  | N/A   | N/A   | Only shareholders can be Director of the Company  |
| WHO CAN BE CEO OF THE COMPANY?  | Any Person whether shareholder or not  | Any Person whether shareholder or not  | Any Person whether shareholder or not  | N/A   | N/A   | Any Person whether shareholder or not   |
| PRIOR LICENSE OR NOC FOR COMPANY REGISTRATION FROM GOVERNMENT OF PAKISTAN | Not Required   | Not Required   | Not Required   | MANDATORY   | MANDATORY   | Not Required  |
| TRADE LICENSE (PRIOR OR SUBSEQUENT TO REGISTRATION)                       | Not Required   | Not Required   | Not Required   | Not Required  | Not Required  | Not Required  |
| SECURITY CLEARANCE OF FOREIGNERS OR FOREIGN COMPANY                       | Required. However, process of security clearance will be initiated after the Company has been formed | Required. However, process of security clearance will be initiated after the Company has been formed | Required. However, process of security clearance will be initiated after the Company has been formed | Required. However process of security clearance will be initiated after the Company has been formed | Required. However process of security clearance will be initiated after the Company has been formed | Required. However the process of security clearance will be initiated after the Company has been formed |
| PHYSICAL REGISTERED OFFICE ADDRESS / PLACE OF BUSINESS IN PAKISTAN        | Mandatory. It needs to be arranged before filing company registration with CRO                       | Mandatory. It needs to be arranged before filing company registration with CRO                       | Mandatory. It needs to be arranged before filing company registration with CRO                       | Mandatory. It needs to be arranged before filing company registration with CRO                      | Mandatory. It needs to be arranged before filing company registration with CRO                      | Mandatory. It needs to be arranged before filing company registration with CRO                          |

| Description  | Single Member Private Limited Company | Private Limited Company | Subsidiary of Foreign Company | Branch Office of Foreign Company in Pakistan  | Liaison Office of Foreign Company in Pakistan   | Public Limited Company |
|--|---------------------------------------|-------------------------|-------------------------------|---|---|------------------------|
| PHYSICAL PRESENCE OF FOREIGN SHAREHOLDERS FOR COMPANY REGISTRATION PROCESS | Not Required                          | Not Required            | Not Required                  | Not Required  | Not Required  | Not Required           |
| PHYSICAL PRESENCE OF FOREIGN SHAREHOLDERS FOR TAX REGISTRATION             | MANDATORY                             | MANDATORY               | MANDATORY                     | Resident Principal Officer may act on the company's behalf  | Resident Principal Officer may act on the company's behalf  | MANDATORY              |
| PHYSICAL PRESENCE OF FOREIGN SHAREHOLDERS FOR COMPANY BANK ACCOUNT OPENING | Generally Required                    | Generally Required      | Generally Required            | Generally Required  | Generally Required  | Generally Required     |
| CORPORATE TAX RATE   | 25%                                   | 31%                     | 25%                           | 31%   | 31%   | 31%                    |
| AVERAGE NUMBER OF DAYS TO FORM   | 10 – 15 working days                  | 10 – 15 working days    | 15-30 working days            | 90 -100 working days  | 90 -100 working days  | 20-30 working days     |
| SCOPE OF ACTIVITIES  |                                       |                         |                               | A branch office is set up by a foreign firm to execute the contracts awarded to it. Activity will be restricted to the work mentioned in the agreement/ contract signed<br><br>Cannot indulge in commercial/ trading activities | Activity is restricted to the promotion of product(s), provision of technical advice and assistance, exploring the possibility of joint collaboration and export promotion (these activities are to be mentioned in the application)<br><br>Cannot undertake any commercial/ trading activities |                        |



| Description                    | Single Member Private Limited Company | Private Limited Company | Subsidiary of Foreign Company | Branch Office of Foreign Company in Pakistan  | Liaison Office of Foreign Company in Pakistan  | Public Limited Company |
|--------------------------------|---------------------------------------|-------------------------|-------------------------------|---|--|------------------------|
| MEETING EXPENSES               |                                       |                         |                               | All expenses will be met out of funds transferred from abroad through normal banking channel and converted to local currency account or from the amounts received through execution of the agreement / contract | All expenses will be met out of funds transferred from abroad through normal banking channel and converted to local currency account                             |                        |
| REMITTANCE FACILITY            |                                       |                         |                               | Remittance of profits etc. is allowed subject to submission of information / documents as required in terms of Para 13 Chapter XIV of the Foreign Exchange Manual of SBP.                                       | No remittance facility allowed.  |                        |
| HIRING OF FOREIGN NATIONALS    |                                       |                         |                               | Employment of foreign nationals shall be made subject to the prior approval of the Government as per policy and in accordance with the policy of Pakistanization.   | Employment of foreign nationals shall be made subject to the prior approval of the Government as per policy and in accordance with the policy of Pakistanization |                        |
| IMPORT AND EXPORT OF MACHINERY |                                       |                         |                               | Import/Export of machinery and equipment and its re-export shall be governed by the Import/Export policies of the Government  | NIL  |                        |

| Description            | Single Member Private Limited Company | Private Limited Company | Subsidiary of Foreign Company | Branch Office of Foreign Company in Pakistan  | Liaison Office of Foreign Company in Pakistan  | Public Limited Company |
|------------------------|---------------------------------------|-------------------------|-------------------------------|---|--|------------------------|
| REGISTRATION WITH SECP |                                       |                         |                               | Mandatory   | Mandatory  |                        |
| FINALIZATION OF CASE   |                                       |                         |                               | 6-8 weeks   | 6-8 weeks  |                        |
| PERIOD OF PERMISSION   |                                       |                         |                               | 3-5 years; renewable  | 3-5 years; renewable   |                        |
| DOCUMENTS REQUIRED     |                                       |                         |                               | Six sets of the following documents are required:<br>1. Application form<br>2. Copy of registration of the foreign company duly attested by Pakistan Mission<br>3. Copy of Articles and Memorandum of Association<br>4. Copy of agreement/contract in case of Branch Office<br>5. Copy of Company Profile<br>6. Copy of the Resolution/Authority letter of the company to establish branch office in Pakistan | Six sets of the following documents are required:<br>1. Application form<br>2. Copy of registration of the foreign company duly attested by Pakistan Mission<br>3. Copy of Articles and Memorandum of Association<br>4. Copy of Company Profile<br>5. Copy of Resolution/Authority letter of the company to establish liaison office in Pakistan |                        |



| Description                    | Single Member Private Limited Company | Private Limited Company | Subsidiary of Foreign Company | Branch Office of Foreign Company in Pakistan  | Liaison Office of Foreign Company in Pakistan  | Public Limited Company |
|--------------------------------|---------------------------------------|-------------------------|-------------------------------|---|--|------------------------|
| RENEWAL                        |                                       |                         |                               | Following documents are required:<br>1. Copies of valid agreements/ contracts along with their duration<br>2. Income tax returns (for the last 03 years)<br>3. Copy of latest Audited Accounts<br>4. Proceeds Realization Certificates  | Following documents are required:<br>1. Performance/Activity report<br>2. Receipt and Payment Statement<br>3. Proceeds Realization Certificates  |                        |
| CHANGE OF ADDRESS / TELE ETC.  |                                       |                         |                               | Has to be intimated to the Board of Investment and other concerned quarters   | Has to be intimated to the Board of Investment and other concerned quarters  |                        |
| DOCUMENTS REQUIRED FOR CLOSURE |                                       |                         |                               | The following documents are required:<br>1. Request letter for closure<br>2. Activity Report, Proceeds Realization Certificates, and Audited Accounts for the last permitted period<br>3. Copies of press clippings regarding closure published in two national dailies.<br>4. Confirmation from tax authorities that all assessments and dues are clear. | The following documents are required:<br>1. Request letter for closure<br>2. Activity Report, Proceeds Realization Certificates, and Receipt and Payment Statement for the last permitted period<br>3. Copies of press clippings regarding closure published in two national dailies.<br>4. Confirmation from tax authorities that all dues are clear. |                        |
| IMPORT AND EXPORT OF MACHINERY |                                       |                         |                               |   |  |                        |

## Conclusion

In Chapter 8, we delved into the detailed discourse of various forms of company registration in Pakistan available to foreign investors. Notably, our analysis illuminated that the nation presents a multifaceted array of options for Finnish investors who wish to carve their niche in this fast-paced economy. With an array of company structures, from sole proprietorships to public limited companies, Pakistan provides a broad platform for Finnish investors to select a registration model that aligns best with their strategic objectives and risk profile. Indeed, the country's legal framework champions the interests of both native and foreign businesses, presenting a robust foundation upon which Finnish enterprises can confidently erect their commercial ventures. Moreover, the financial environment of Pakistan dovetails smoothly with the diverse investment needs of Finnish firms. The country's market-friendly regulations accommodate various forms of capital infusion, enabling investors to source funds from both local and international private entities with relative ease.

Pakistan's liberal stance towards foreign ownership, marked by the absence of minimum initial capital requirements in several sectors, awards Finnish investors the elasticity to enter and expand in the market according to their financial capabilities and business strategies. Especially, in the realms of education, healthcare, infra-

structure, and service sectors, Finnish enterprises can hold 100% equity, thereby extending their operational wingspan without impediments.

Furthermore, Pakistan's commitment to the enforcement of property rights offers a safeguarded investment landscape. The recognition of the right to international arbitration and the permission for unhindered transfer of foreign currencies and remittances bolster the confidence and ease of operation for foreign investors. Although the Pakistani market imposes certain limitations on initial franchise investments and royalty payments in some sectors, the pros outweigh the cons significantly.

Thus, for Finnish investors, this sprightly and expanding economy unfolds a plethora of opportunities and potential for substantial returns on their investments. Nevertheless, the cardinal rule of due diligence remains imperative. Before venturing into the Pakistani market, Finnish investors must cultivate a thorough understanding of the nation's commercial landscape, policy environment, and cultural ethos. Pakistan offers a promising vista for Finnish investors - a golden opportunity ripe for the picking. However, this promise can only be fulfilled with meticulous planning, astute strategizing, and a granular understanding of the foreign direct investment landscape in Pakistan.

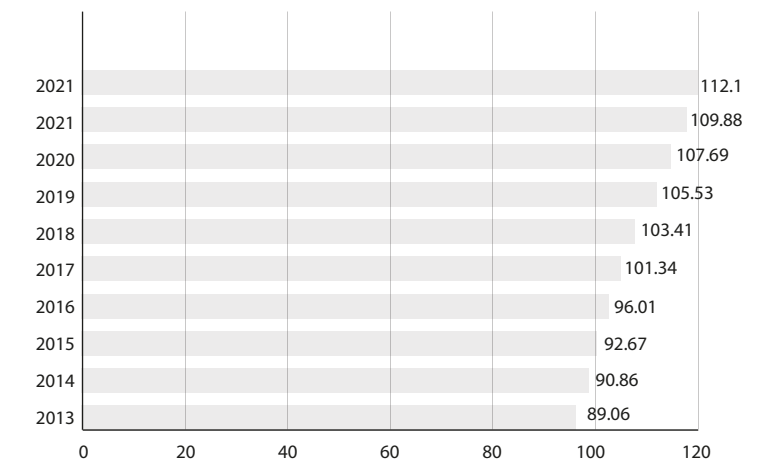


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## 9.1 Women Population in Pakistan

The female population in Pakistan has been growing steadily. In 2000, the female population was 69,536,000, and by 2020, it had increased to 112,405,000. This represents a significant increase over two decades. The growth in the female population is a positive sign, indicating improvements in healthcare and social conditions that have historically affected female survival rates.



The distribution of the female population between urban and rural areas is also changing. In 2000, the urban female population was 2,868,000, and by 2020, it had increased to 4,302,000. On the other hand, the rural female population decreased from 1,132,000 in 2000 to 902,000 in 2020. This suggests a trend of urbanization, with more females living in urban areas over time.

The total female population is expected to reach 135,405,000, with 5,202,000 living in urban areas and 802,000 in rural areas. This continued trend of urbanization could have significant implications for infrastructure, education, healthcare, and social services in urban areas.



According to the Pakistan Economic Survey 2021-22:

**1.Education:** Over the past decade, there has been a significant increase in the literacy rate among women in Pakistan. Despite this progress, a gender gap in education persists. The literacy rate for women stands at 58%, which is lower than the 70% literacy rate for men.

**2.Employment:** The labour force participation rate for women in Pakistan is relatively low, with only 25% of women engaged in paid work. This indicates that a large proportion of women in the country are not part of the formal workforce.

**3.Health:** The maternal mortality rate in Pakistan is high, suggesting challenges in the healthcare system. This is particularly evident in the area of women's health and safety during childbirth, which requires significant attention and improvement.

**4.Political Participation:** Women's political participation in Pakistan has been on the rise, with an increasing number of women running for and being elected to political office. Despite these advancements, women remain underrepresented in politics, indicating the need for further efforts to promote gender equality in this sphere.

## 9.2 The Gender equality landscape in Pakistan

Pakistan, home to 107 million people, and ranking 145th on the Global Gender Gap Index, only slightly better than Afghanistan, faces a significant gender disparity issue. In recent years, the global community has faced

numerous crises, including the ongoing Covid pandemic, which coupled with escalating economic and environmental issues, threatens to reverse hard-earned progress in various sectors. In particular, these crises pose a formidable challenge to the advancements in gender equality made so far, which could have profound implications for future generations if not addressed.

The World Economic Forum's Global Gender Gap Index, first introduced in 2006, evaluates gender parity across 146 countries, using four key indicators: economic participation and opportunity, educational attainment, health and survival, and political empowerment. The 2022 report disclosed that the global gender gap has been closed by 68.1%, showing a slight improvement from 67.9% in 2021. Predictably, Scandinavian and European countries lead in bridging this gap, with Rwanda and Namibia, both Sub-Saharan African nations, also featuring prominently among the top 10. However, significant regional discrepancies are evident, with North America performing best and South Asia trailing with the largest gender gap.

Pakistan's progress is markedly slow in South Asia, having only achieved a gender parity score of 56.4% in 2022, albeit the highest the country has ever attained. Interestingly, this progress has been driven largely by economic participation and opportunity, with a marginal score increase from 0.316 in 2021 to 0.331 in 2022. Additionally, improvements were also noted in wage equality and estimated earned income. Conversely, the country's educational attainment score for 2022 is 0.825, revealing an upward trend in all education levels compared to 2021, while the health and survival score remains static at 0.944. Political empowerment also saw a slight increase from 0.154 in 2021 to 0.156 in 2022.



Yet, the journey towards gender parity in Pakistan is riddled with challenges. The country ranks a disappointing 145th out of 146 countries on the Gender Parity Index for economic participation and opportunity, and 135th for educational attainment. In health and survival, Pakistan is one of the five countries with the largest gender gaps, together with Qatar, Azerbaijan, China, and India. Despite making some strides, Pakistan's gender gap in secondary and tertiary education enrolment is among the largest globally, with gender gaps exceeding 10% and 90% respectively.

Moreover, in a political landscape where the constitution mandates the National Assembly to consist of 342 members, including 60 women and ten non-Muslims, Pakistan's progress in empowering women politically is still limited. Even though the government has reserved at least 33% of local government seats for women, they only occupy 17% of National Assembly seats. In contrast, South Asia, inclusive of Pakistan, exhibits the largest gender gap in Economic Participation and Opportunity globally, having closed just over a third of this gender gap.

In Pakistan, women hold a minimal portion of senior, managerial, and legislative positions, accounting for only 4.5% of such roles. This is in stark contrast to countries like Jamaica, where women make up 56.6% of workers in these categories, or Togo, which boasts the highest proportion of women in senior roles at 70.1%. Furthermore, in Chad, women constitute less than 18% of professional and technical workers, a figure significantly lower than 41% in Rwanda or 70% in Belarus.





Despite the gloomy picture, it's crucial to realize that achieving gender parity is instrumental in driving national prosperity. This necessitates investing in human capital, providing equal access to resources and opportunities for both genders and continually evaluating existing gender disparities. Such assessment can guide policymakers to strategize collaboration between the public and private sectors to effectively close these gaps.

Enhancing gender equality also implies implementing gender-sensitive policies in workplaces, closing wage gaps, and fostering female workforce participation by providing flexible work arrangements and social safety nets. Such measures would facilitate women's access to childcare support policies, enabling them to balance work and family life more effectively.

Furthermore, encouraging women to aspire to and achieve higher-skilled leadership and management roles, including non-traditional areas, is vital. By breaking gender stereotypes and promoting women's participation in diverse fields, a more inclusive and gender-balanced recovery can be realized in the post-pandemic world, eventually leading to a more equitable society.

### 9.2.1 Addressing Gendered Vulnerabilities in Pakistan's Climate Change Context

Women in Pakistan face compounded vulnerabilities due to the country's exposure to frequent natural disasters and the strain on productive sectors caused by a rapidly deteriorating natural environment. Recognizing the urgency, the Pakistani government has taken positive steps to reduce vulnerabil-

ity to climate change. Initiatives such as the Ten Billion Tree Tsunami Programme, National Adaptation Plan, Climate Change Gender Action Plan (CCGAP), and Clean Green Pakistan Index and Champions Programme have been implemented. However, more climate-smart actions are needed, especially for disadvantaged populations, including women, children, and transgender individuals.

Recent strides have been made in overhauling Pakistan's climate policy framework, including the setting of ambitious targets for adaptation and mitigation. There is growing recognition of the challenges faced by women in Pakistan, particularly in occupations dependent on natural environments or in geographic locations experiencing climate-induced hazards. Women's productive and caregiving burdens have become increasingly taxing, given the erosion of livelihoods, loss of assets, rising food insecurity, reduced agency and autonomy, displacement, and exposure to sexual and gender-based violence.

Efforts to reprogram climate frameworks must prioritize principles of distributive justice, procedural justice, and intergenerational equity. Climate policies should empower women by addressing imbalances in benefit distribution, power dynamics, and exclusionary practices within institutions. A review of Pakistan's climate-related policies reveals the need for further guidance through gender-sensitive frameworks, particularly concerning women's differentiated burdens in climate stress and the vulnerabilities faced by communities.

Overhauling policies and practices in sectors such as agriculture, water, forestry, disaster management, energy, and urban planning is



underway to align with international commitments and evolving domestic needs. Interactions with policy planners and implementers have highlighted the importance of gender mainstreaming in policy, even though current policy frameworks may not fully reflect these values.

Sectoral practices underscore the challenges faced by Pakistan, including long-term capacity deficits, declining crop yields, disrupted water availability, rural outmigration, and frequent climate-induced natural disasters. These factors create a precarious survival scenario, especially for women. Women are extensively involved in sectors as full-time or secondary workers, and they rely on natural environments for sustenance. They also play a crucial role in the preservation, conservation, and protection of fragile ecosystems threatened by climate change and inadequate policy choices.

### 9.2.2 Proposed Gender Equality Strategy for Pakistan

In 2000, the Programs Department (West), Division 1 of the Asian Development Bank (ADB) commissioned a study to gain insights into gender issues in Pakistan. The objective of the study was to provide essential information that could assist ADB staff in the country's programming, project design, and implementation.

The study, prepared by Dr Farzana Bari, a Pakistani consultant, received overall guidance from Mariam S. Pal, Economist (Social Development) from the Office of the Director, Programs Department (West).

The findings of the study propose several actions to address the gender disparities and challenges in Pakistan. These actions include promoting gender integration, mainstreaming

gender concerns, building a comprehensive database on women, and strengthening civil society. Specifically, the study highlights the importance of addressing the feminization of poverty, promoting women's political participation, and combating violence against women. These proposed actions aim to foster gender equality, empower women, and create a more inclusive and equitable society in Pakistan.

Importantly, despite being conducted 23 years ago, the study's identification of gender disparities in Pakistan remains relevant and urgent. This underscores the ongoing need for attention and action to address gender inequality. The proposed actions and recommendations in the study serve as a valuable reference for policymakers, development organizations, and stakeholders in formulating strategies and initiatives that contribute to the ongoing efforts to achieve gender equality in Pakistan.

The strategy for gender equality in Pakistan is built upon four pillars: gender integration, gender mainstreaming, building a database on women, and strengthening civil society. Each pillar addresses specific issues and recommends actions to be taken. By embedding gender considerations into the country's operational strategy instead of treating gender programs in isolation, the strategy aims to prevent the marginalization of gender issues and ensure their central role in assistance across all sectors, including the economic and political domains. Moreover, the strategy proposes linking financial aid to monitoring reports and progress on gender-related performance indicators to hold Pakistan accountable for addressing gender disparities and ensuring equal benefits for women.





To address the critical challenges faced by women in Pakistan, the strategy proposes gender-focused initiatives in three key areas: the feminization of poverty, governance, and violence against women. Under the feminization of poverty, the strategy recommends implementing skill development programs, agricultural extension services, women's cooperatives, microcredit facilities, advisory and counselling services, hostels and affordable childcare centres, and creating employment opportunities. It also emphasizes the need to assess the impact of policies on women, such as those related to export promotion and privatization, and provide social safety nets.

In terms of political participation, the strategy underscores the importance of political education and training programs for women, electoral reforms, voters' education, gender sensitization programs for politicians, support for affirmative actions to enhance women's political engagement, strengthening local government structures, and conducting research studies on women's involvement in politics.

Furthermore, addressing violence against women requires comprehensive efforts, including data collection and research studies, the introduction and enforcement of legislation, support services for survivors, and gender training programs for law enforcement, the judiciary, and the media. Moving forward, it is imperative to develop climate policies and strategies that account for the specific challenges faced by women in Pakistan. This involves integrating gender-sensitive approaches that consider women's differential roles, responsibilities and needs in the face of climate change. Policies should prioritize gender equity and justice, ensuring the inclusion of women's

voices and perspectives in decision-making processes and effectively addressing their unique vulnerabilities. Additionally, strategies should promote women's empowerment, including their access to resources, participation in climate adaptation and mitigation efforts, and leadership roles in environmental and sustainable development initiatives. Recognizing the gendered impacts of climate change and incorporating gender-responsive strategies into climate policies will enhance Pakistan's resilience to climate risks while promoting gender equality and women's empowerment. This approach will contribute to building a more sustainable and inclusive future, where both men and women can thrive amidst climate change challenges.

### 9.2.3 Government Initiatives for Promoting Gender Equality and Women's Empowerment

Pakistan has reaffirmed its commitment to the Sustainable Development Goals (SDGs), with a specific focus on SDG-5, which aims to achieve gender empowerment and equality. Various initiatives and laws have been implemented to ensure gender equality in the country.

However, eliminating gender-based violence and discrimination requires collective efforts. To address this, the Ministry of Planning Development & Special Initiatives launched the Citizen's Guide to Prevent Gender-Based Violence (GBV) under the Gender Unit, marking International Women's Day.

The establishment of a gender unit within the Ministry allows development projects to be reviewed from a gender perspective. Additionally, the government has reserved 50 percent of scholarships for women and is



launching an Innovation Fund program to encourage and support women entrepreneurs.

Achieving the targets of SDG-5 not only contributes to gender equality but also has a positive impact on other goals such as poverty reduction (SDG-1), zero hunger (SDG-2), reduced inequalities (SDG-10), and peace, justice, and strong institutions (SDG-16).

The 2022 floods in Pakistan significantly affected women, particularly those of reproductive age. Many pregnant women faced limited or no access to basic health services, while school-going girls and employed women experienced educational and socio-economic vulnerabilities. Vulnerable groups, including women, children, and persons with disabilities, were disproportionately affected by the floods. Women suffered significant losses to their livelihoods, primarily in the

agriculture and livestock sectors, leading to negative impacts on their economic empowerment and well-being.

The floods also increased the vulnerability of women to gender-based violence due to heightened household tensions, harassment, and abuse in the context of displacement and lack of secure infrastructure. Crises and economic insecurity often contribute to higher rates of early and forced marriages, putting adolescent girls at greater risk of coercion, gender-based violence, and child marriage.

In FY2023, the government of Pakistan implemented several initiatives to advance gender equality and empower women. These initiatives aim to address the unique challenges faced by women and ensure their rights and participation in various sectors.

Here are the details of the ongoing projects:

| Sr.no | Initiative  | Description  |
|-------|---|--|
| 01    | Establishment of Gender Unit                          | A gender unit has been set up in the Ministry of Planning Development & Special Initiatives (MoPD&SPI). This unit ensures inclusivity in project planning and implementation by considering and reviewing development projects from a gender perspective.  |
| 02    | Human Rights Development Projects                     | The Ministry of Human Rights (MoHR) has undertaken development projects to strengthen institutional capacity and promote human rights, focusing on women's rights, inclusive education, training, and rehabilitation services.   |
| 03    | National Mechanism for Reporting and Follow-up (NMRF) | The NMRF, established within the MoHR, measures and evaluates progress towards achieving the Sustainable Development Goals (SDGs). It facilitates dialogue among stakeholders, provides guidance on data collection and reporting, and enables monitoring of progress and identification of implementation gaps. |
| 04    | Multi-Stakeholder Platform                            | The NMRF serves as a multi-stakeholder platform, fostering dialogue and information exchange among the government, civil society, private sector, academia, and other stakeholders. It focuses on gender equality and women's empowerment, promoting collaborative efforts in achieving these objectives.        |



| Sr.no | Initiative  | Description  |
|-------|---|--|
| 05    | Human Rights Information Management System (HRIMS)  | MoHR has developed HRIMS, a comprehensive platform for collecting, storing, and analyzing human rights-related data. HRIMS provides an integrated view of the human rights landscape, facilitating identification, analysis, and response to human rights issues. It also supports the implementation of SDGs and promotes gender equality and women's empowerment.                            |
| 06    | Tracking Progress and Addressing Gaps               | HRIMS enables the tracking and monitoring of goals related to gender equality and women's empowerment. The collected data helps identify areas requiring change and measures the impact of initiatives aimed at promoting gender equality. It also helps identify and address gaps in access to services for women and girls, including health and education.                                  |
| 07    | Shanghai Cooperation Organization's Women Forum     | Pakistan actively participates in the Women Forum of the Shanghai Cooperation Organization (SCO). This forum provides an opportunity to discuss pressing issues related to gender equality and facilitates collaboration among SCO countries in implementing effective measures for gender equality, women's empowerment, and the achievement of SDGs.   |
| 08    | Awareness Seminars on Cyber Bullying and Harassment | The Planning Commission, Federal Investigation Agency, and Higher Education Commission organized awareness seminars on empowering women to combat cyberbullying and harassment. These seminars, held at different universities in Islamabad and Rawalpindi, aimed to establish trust between the state and youth and raise awareness about cyber laws and interventions to counter harassment. |
| 09    | International Congress of Influential Women         | Pakistan participated in the first International Congress of Influential Women held in Tehran, Iran, coinciding with Women's Week and Mothers' Day. The congress provided a platform for collaboration and the exchange of experiences on intellectual and cultural foundations related to women among participating countries.  |

Through these initiatives, the government of Pakistan is taking proactive steps to promote gender equality, women's empowerment, and the protection of women's rights. By implementing targeted projects, fostering multi-stakeholder dialogue, and utilizing data-driven approaches, the government aims to make significant progress towards achieving these goals.



## 9.2.4 Pro-Women Laws and the Role of the National Commission on the Status of Women in Pakistan

The legal landscape in Pakistan has witnessed significant developments in promoting gender equality and safeguarding women's rights. Federal and provincial governments have enacted a range of laws and legislation aimed at addressing various challenges faced by women, including domestic violence, harassment, gender-based discrimination, and access to healthcare and education. This table presents a comprehensive list of federal and provincial pro-women laws, highlighting their names and brief descriptions. These laws signify important milestones in the ongoing journey towards achieving gender equality and empowering women in Pakistan.

| Law Name   | Description  |
|--|--|
| <b>Federal Laws</b>  |  |
| Anti-rape (Investigation and Trial) Act, 2021                                | Provides measures for the investigation and trial of rape cases.                           |
| Criminal Law (Amendment) Act, 2021   | Amends criminal laws to enhance penalties for offences against women.                      |
| The Islamabad Capital Territory Senior Citizens Act, 2021                    | Protects the rights and welfare of senior citizens.  |
| The Islamabad Capital Territory Prohibition of Corporal Punishment Act, 2021 | Prohibits corporal punishment of children.   |
| The Muslim Family Laws (Amendment) Act, 2021                                 | Amends Muslim family laws to promote gender equality.                                      |
| The Zainab Alert, Recovery and Response Act, 2020                            | Establishes a system for the rapid response and recovery of missing and abducted children. |
| The ICT Rights of Persons With Disability Act, 2020                          | Protects the rights and welfare of persons with disabilities.                              |
| The Legal Aid and Justice Authority Act, 2020                                | Provides legal aid services to marginalized individuals, including women.                  |
| The Enforcement of Women's Property Rights Act, 2020                         | Ensures the enforcement of women's property rights.  |
| The Letter of Administration and Succession Certificate Act, 2020            | Facilitates the issuance of succession certificates.                                       |
| <b>Federal Laws</b>  |  |



| Law Name   | Description   |
|--|---|
| The Punjab Maternity Benefit Ordinance, 1958                             | Provides maternity benefits to women workers.       |
| Punjab Protection against Harassment of Women at the Workplace Act, 2012 | Addresses workplace harassment issues.              |
| Punjab Protection of Women Against Violence Act, 2016                    | Protects women against all forms of violence.       |
| Punjab Women Protection Authority Act, 2017                              | Establishes an authority to protect women's rights. |
| Punjab Child Marriage Restraint Act, 1929 (Amendment) Act of 2015        | Prohibits child marriages.                          |
| <b>Sindh Laws</b>  |   |
| Sindh Domestic Violence (Prevention and Protection) Act, 2013            | Protects women against domestic violence.           |
| Sindh Child Marriage Restraint Act, 2013                                 | Prohibits child marriages in Sindh.                 |
| Sindh Reproductive Healthcare Rights Act, 2019                           | Ensures reproductive healthcare rights for women.   |
| <b>Khyber Pakhtunkhwa Laws</b>   |   |
| Khyber Pakhtunkhwa Domestic Violence Against Women Act, 2021             | Addresses domestic violence issues.                 |
| Khyber Pakhtunkhwa Reproductive Healthcare Rights Act, 2020              | Ensures reproductive healthcare rights for women.   |



| Law Name  | Description                                  |
|---|--|
| Khyber Pakhtunkhwa Provincial Commission on the Status of Women Act, 2016 | Establishes a commission for women's rights. |
| <b>Balochistan Laws</b>   |  |
| The Balochistan Domestic Violence (Prevention and Protection) Act, 2014   | Protects women against domestic violence.    |
| Balochistan Harassment of Women at Workplace Act, 2014                    | Addresses workplace harassment issues.       |
| Balochistan Child Protection Act, 2016                                    | Ensures the protection of children's rights. |

In addition to these legal measures, The National Commission on the Status of Women (NCSW) plays a crucial role in advocating for women's rights and monitoring the implementation of laws and policies. Established through the NCSW Act, of 2012, the commission is an autonomous statutory body with financial and administrative independence. It is a response to the national and international commitments of the Government of Pakistan, including the Beijing Declaration and the Platform for Action, 1995, and the National Plan of Action (NPA) for Women, 1998.

The NCSW's mandate includes examining and reviewing laws, policies, and programs related to the protection and empowerment of women, as well as facilitating the government in fulfilling international obligations. As per the NCSW Act 2012, the commission is empowered to seek information, receive data, and enforce attendance and production

of documents. It operates based on the principles of gender equality and empowerment enshrined in the Constitution, granting equality to women and allowing for positive discrimination measures in favour of girls and women.

At the national and international levels, the Government of Pakistan has made commitments to ensure women's rights, and the NCSW serves as a key institution in upholding these commitments. It actively participates in sessions of the Commission on the Status of Women (CSW) and the Committee on the Elimination of Discrimination against Women (CEDAW), representing Pakistan and contributing to the promotion of women's rights.

The NCSW also engages in research and data generation as an essential component of its work. By collecting data from various sources, the commission examines indicators



such as women's decision-making power, financial autonomy, political participation, access to education, and experience of domestic violence. This evidence-based approach helps inform policies, actions, and monitoring efforts to further advance gender equality and protect women's rights. Overall, the combination of comprehensive pro-women laws and the active role of the NCSW reflects Pakistan's commitment to creating an inclusive society where women have equal rights and opportunities. This table provides an overview of the diverse range of federal and provincial laws that have been enacted to protect and promote women's rights in Pakistan. It showcases the progress made in addressing gender-based challenges and serves as a testament to the ongoing efforts to create a more equitable and inclusive society.

### 9.3 Financial Inclusion of Women in Pakistan

Financial inclusion, a critical aspect of economic growth and development, has been a persistent challenge for Pakistan. Only 21% of the nation's adults had access to formal financial services as of 2021, according to the World Bank's Global Findex, significantly trailing the global average of 69%. This situation is particularly prevalent among women, leading to a significant gender gap in financial inclusion.

Despite these challenges, some progress is being observed. Recent data from the Karandaaz Financial Inclusion Survey (K-FIS) indicate a significant uptick in women's financial inclusion, reaching double-digit figures for the first time and standing at 13%. This positive change between 2020 and 2021 is largely attributed to an increase in the adoption of mobile money wallets by women.



The percentage of adult women using this technology leapt from 2% in 2020 to 6% in 2022. Furthermore, there was a substantial increase in the number of bank accounts held by women, rising from 5% in 2020 to 8% in 2022.

However, these improvements are not confined to women. Men have also demonstrated significant increases in the adoption of financial services, from 36% in 2020 to 47% of the male population in 2022. This significant rise in male accounts has offset the gains made in bridging the gender gap, which has remained static since 2014.

The COVID-19 pandemic and associated lockdowns could be one explanation for the spike in mobile wallet registrations. The restrictions and a corresponding awareness campaign about social distancing might have made traditional cash transactions more challenging, driving people to adopt digital alternatives.

Research by Khan and Jaffar (2021) indicates that those who were previously financially excluded but opted for financial accounts during this period showed higher readiness levels. These levels manifested in greater awareness about the functions of financial products, increased trust in mobile money services and mobile money agents, and increased comfort with using mobile phones.

The recently observed rise in female financial inclusion in Pakistan, while encouraging, is tempered by a corresponding increase in male financial inclusion, which keeps the gender gap in place. Bridging this gap is vital for improving overall financial inclusion in Pakistan. One approach to achieving this is by addressing readiness gaps related to the adoption of mobile money wallets.

The State Bank of Pakistan (SBP) has imple-

mented a policy known as "Banking on Equality" to reduce the gender gap in financial inclusion. This policy aims to encourage more women-friendly business practices in the financial sector. It includes measures such as increasing gender diversity in financial institutions, developing women-centric products and services, deploying Women Champions at all customer touchpoints, improving collection of gender-disaggregated data, and setting up a Policy Forum on Gender.

In addition to this policy, several schemes and strategies are in place to facilitate financial inclusion. These include the National Financial Inclusion Strategy (NFIS), which sets a target of reaching 20 million active women accounts by 2023. Other schemes include the SBP Refinance & Credit Guarantee Scheme for Women Entrepreneurs, the Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme (YES), and the Asaan Account.

Furthermore, efforts are being made to improve financial literacy, which is often cited as a significant barrier to financial inclusion. The SBP has implemented the National Financial Literacy Program (NFLP) and the National Financial Literacy Program for Youth (NFLP-Y), which aim to educate the general public and young people about basic financial concepts and services.

The SBP has set several targets under its policy to enhance women's financial inclusion and economic participation by 2024. These include increasing the ratio of women in the financial sector to 20%, increasing the proportion of women branchless banking agents to 10%, and increasing women's access to agriculture financing to 20%.



While these steps are encouraging, the gender gap in financial inclusion in Pakistan is a persistent issue. Efforts to address this gap need to continue to ensure women's participation in the financial sector is equitable and sustainable, thereby driving inclusive economic growth in the country.

## 9.4 Women in Sustainable Energy

Women have weak participation in non-traditional sectors such as energy. According to a 2018 baseline study conducted by Women in Energy Network of Pakistan, women make up only about 4% of the total staff of 9 power utilities (both public and private distribution, transmission and generation companies) in Pakistan.

Against the total number of engineers recruited, women are only 4%; whereas female students make up to 25% of the total enrolled students in BSc/MSc levels. Women employees make up only 3% of technical positions in the 3 Independent Power Producers included in the study. Water and Power Development Authority has 6% women employees, with 3.3% in technical positions. In distribution companies (DISCOs), women make up only 2% of the total employees, and of these, 4% are recruited in technical positions. At the National Transmission and Dispatch Company (NTDC), only 3% of the female employees are in technical positions as engineers.

In Pakistan, sustainable energy projects are transforming the lives of the rural poor, particularly women, by providing electricity for social and economic activities. An example of this is a project funded by the European Union, which has developed 240 new micro hydropower projects (MHPs) in 7

districts of the Khyber Pakhtunkhwa province. These MHPs are being used for activities such as drying fruits, which has increased women's income by more than 150%. The project has also supported the formation of 2,168 women community-based organizations (CBOs), benefiting 46,000 women members. Furthermore, the MHPs have helped local schools and small-scale public hospitals connect to electricity, benefiting 1,700 children and serving on average 325 patients per day. The project has the potential for scaling up to reach beneficiaries outside of the Khyber Pakhtunkhwa province

However, several challenges exist that women face in the energy sector in Pakistan. These include gender-blind energy policies, lack of gender-disaggregated data, and women's underrepresentation in the energy sector. The policies often neglect the differential impacts of energy use and access on men and women. The lack of gender-disaggregated data hinders the creation of gender-sensitive energy policies. Women's participation in energy decision-making, planning, and policy is limited due to patriarchal norms, cultural barriers, safety concerns, and inadequate facilities.

To overcome these challenges, several recommendations have been proposed. These include developing gender-responsive energy policies and practices, determining the right scale and scope of intervention, and increasing women's representation in the energy sector. Energy policies should recognize the different energy challenges faced by urban, low-income, and rural women. It is also recommended to develop appropriate monitoring and evaluation techniques for culturally sensitive modes of data collection.



Improving women's participation in all aspects of the energy-supply chain can create employment opportunities. This can be achieved by ensuring gender quotas are met, implementing anti-harassment laws, and providing enabling environments and support structures. Supporting women's socio-economic and political empowerment by ensuring opportunities for capacity building, technical/skills training, and higher enrollment in science-based education and mentorship programs is also crucial.

There are also initiatives that challenge stereotypes and transform gender relations, creating more opportunities for women in the energy sector. For example, the company K-Electric has initiated meter readings by women, and the Roshna Baji project involves women in community solar power management. These initiatives demonstrate the potential for women's increased participation in the sustainable energy sector in Pakistan.

## 9.5 Women in STEM

Recognizing the importance of gender equality and the inclusion of women and girls in scientific fields, February 11 has been observed as the International Day of Women and Girls in Science since 2015. The aim is to bring to light the implicit biases, stereotypes, and challenges that women and girls in science face, and to advocate for their inclusion in all realms of science, including emerging fields such as robotics, energy, and climate change.

Unfortunately, a deeply entrenched dichotomy exists between women and science in many parts of the world, including Pakistan. This dichotomy often manifests as the belief that girls are inherently incapable of excelling in mathematics and scientific disciplines. This belief, coupled with numerous other factors

such as a lack of access to educational resources, unequal opportunities, and psycho-socially constructed stereotypes, often restricts women from reaching their full potential.

The fact that a significant number of women in Pakistan have been excluded from the scientific advancements of the 21st century poses a serious threat to the country's development and global competitiveness. According to a 2015 survey by the UNESCO Institute for Statistics, the majority of female researchers in Pakistan are concentrated in medical sciences and natural sciences, with a significantly smaller representation in engineering, technology, and agricultural sciences.

This gender gap in rapidly evolving and high-paying fields such as computer science, engineering, and energy is largely due to societal roles and prejudices that create a glass ceiling for women. The patriarchal perception of STEM fields as masculine domains discourages female participation and creates an exclusionary environment that is both unattractive and unsupportive for women.

In order to bridge this gender gap, it is essential to make education accessible and equitable at all levels. Breaking away from regressive societal norms begins at home, with parents investing equally in the education of their daughters and sons, and supporting their learning opportunities. Schools and educational institutions also play a crucial role in fostering a gender-neutral and harassment-free environment where female researchers can work efficiently and without fear.



Moreover, to meet the demands of a rapidly changing world, governments must ensure that students are exposed to STEM fields, artificial intelligence, aeronautics, and machine learning from an early stage. By connecting STEM experiences to girls' lives and promoting hands-on learning, we can open new opportunities for girls and women in these fields.

This requires increased awareness of higher education and career pathways, as well as mentorship programs with women in STEM to inspire young girls.

To make the field more attractive to women, it is crucial to address hierarchical relationships, change power dynamics, and hold the academic community accountable for reducing and preventing sexual harassment. Providing a safe work environment, offering equitable pay, flexible timing, and strong family and medical leave policies will encourage women to pursue careers in fields previously dominated by men. This, in turn, will instill confidence in them and pave the way for more women to break into and excel in the sciences.

Science and gender equality are both vital to achieving the world's sustainability goals. However, there's a risk of a significant technological skills shortage, which could become more severe if women are not encouraged and offered equal opportunities in STEM professions. This gender inequality in STEM not only infringes on basic human rights but also signifies missed opportunities for societal advancement. The active participation of women in STEM is crucial for promoting scientific and technological excellence and providing women with economic security.

Stereotyping is one of the key obstacles hindering women's progress in STEM. Nega-

tive stereotypes about women's abilities in these fields often lead to underperformance among girls and women, thus contributing to the persistent gender gap. Other factors that contribute to this disparity include a lack of female role models in STEM, unconscious bias, and a lack of inclusive work environments.

To combat these challenges, it's essential to promote gender equity in STEM education and careers. This could be achieved through a combination of policy interventions, educational reforms, and initiatives to change societal attitudes towards women in STEM. In addition, providing support and mentorship for women in these fields can also contribute to closing the gender gap.

## 9.6 Women in the Gaming Industry

A deep dive into the burgeoning video game industry in Pakistan reveals a vibrant and growing sector, characterized by an increasing number of gamers, projected revenue growth, and the exciting rise of esports. However, it's essential to examine the industry's gender dynamics, which can provide a more comprehensive perspective.

In 2022, Pakistan boasts an estimated 36.8 million gamers, accounting for 16% of the population. This figure is projected to surge to 50.9 million, or 20.6% of the population, by 2026. In terms of revenue, the video game industry is expected to reach US\$208.70 million in 2022, with a forecasted annual growth rate of 2.17% between 2022 and 2026. The total revenue by 2026 is predicted to be US\$227.40 million.

Most gaming revenue comes from mobile games, expected to generate US\$171.30

million in 2022.

However, it's crucial to highlight the gender disparity within the gaming demographics in Pakistan. In 2021, 76.9% of gamers were male and only 23.1% were female. This indicates an opportunity for industry expansion by attracting and retaining a greater female gamer population.

The esports sector in Pakistan is gaining significant momentum, thanks in part to renowned professional esports players like Syed Sumail "Sumail" Hassan and Arslan "Arslan Ash" Siddique. The Federal Minister for Science and Technology, Fawad Chaudhry, has also recognized esports as a regular sport, opening up new opportunities in this arena.

Women in Pakistan are not only playing games but also contributing to their creation. Game development studios in Pakistan are making strides in gender diversity, with several companies employing a significant percentage of women. For instance, We R Play Studios, based in Islamabad, boasts a 39% female workforce. Similarly, Tintash and CaramelTech Studios have 25% and 23% female staff, respectively.

These figures stand in contrast to the global average, offering an encouraging sign for women seeking to enter the gaming industry in Pakistan. Efforts to further diversify the gaming industry will not only help to achieve gender equality but can also lead to the creation of games that cater to a broader audience, thereby driving industry growth. In summary, the video game industry in Pakistan is thriving, with immense growth potential.

However, the gender disparity within the gamer population indicates an opportunity to

involve and empower more women in the gaming industry, both as players and creators. As the industry grows, it's vital to ensure that it supports the well-being of all its participants, offering the resources necessary to maintain a healthy relationship with gaming.

## 9.7 Women in the Gig Economy

The growth of the gig economy, characterized by flexible, project-based, and remote work, has unlocked a world of opportunities for women in Pakistan, enabling them to take part in the workforce while simultaneously meeting family obligations. This emerging trend offers a unique promise to Pakistani women, more so because Pakistan ranks as the fourth fastest-growing freelance market with a staggering growth rate of 47% in freelance earnings reported in 2019.

The considerable growth in this area is driven by the higher-than-average global participation of young freelancers under the age of 35. Moreover, an encouraging sign in the Pakistani gig economy is the reversal of the gender wage gap. Pakistani female freelancers reportedly earn \$22 per hour, outpacing the global average male earnings of \$20 an hour. This is a significant divergence from traditional job sectors, where women typically earn less than their male counterparts.

Alongside the growth of the gig economy, various government initiatives have been launched to promote digital skills and freelancing, with women as the primary focus. The 'National Freelance Training Program' by the Ministry of Information Technology and Telecommunication (MoIT) and programs like DigiSkills and E-Rozgar aim to train freelancers, reduce gender imbalance, and bolster sustainable economic development through





female empowerment and enhancing digital learning skills.

In terms of sales volume, Pakistan holds a strong position in the global e-lancing market, ranking fourth, just behind India, Bangladesh, and the USA. About one million Pakistanis are registered on recognized freelancing platforms, making Pakistan the third most represented country on these sites internationally. Notably, on Upwork, a major freelancing platform, Pakistan is listed among the top five nations contributing to its freelancer community.

## 9.8 Women in Entrepreneurship

Women entrepreneurship in Pakistan is a multifaceted issue influenced by various socio-cultural, economic, and personal factors. Despite significant barriers, some women are driven by economic necessities to engage in business activities, mostly from within their homes, against the backdrop of a patriarchal society.

According to the World Bank, as of 2019, only 1% of Pakistani women were engaged in entrepreneurship, significantly lower than rates in other countries of similar income levels. This is underscored by the female-to-male Total Entrepreneurial Activity (TEA) ratio, reported by the Global Entrepreneurship Monitor (GEM) to be 0.37 in 2019, implying that for every 100 male entrepreneurs in Pakistan, there were only 37 female entrepreneurs.

Moreover, the participation of women in the labor force is strikingly low in comparison to men. As per the World Bank data, only 22.2% of women participated in the labour force in 2020, as compared to 67.3% of men. There was, however, a slight increase to 25% by

2022, indicating some progress, albeit slow. These figures highlight the societal and structural barriers that restrict women's economic opportunities, including entrepreneurship.

In Pakistan, societal norms and values, shaped by religious interpretations, dictate the role of women, often discouraging them from pursuing business activities outside their homes. This perpetuates gender stereotypes, undervaluing women's contributions to the business sector.

Education is another significant factor. The Pakistan Social and Living Standards Measurement (PSLM) Survey estimated the literacy rate for women in 2019 to be around 47%, compared to 70% for men. This educational gap can limit women's opportunities to acquire the necessary knowledge and skills for successful entrepreneurship.

Access to funding is also challenging. A 2018 report by the Pakistan Microfinance Network stated that only around 50% of microfinance clients in Pakistan were women. This suggests potential difficulties for women entrepreneurs in accessing startup capital. Institutionally, both the government and private sector have launched programs to stimulate women entrepreneurship.

Yet, their impact has been limited due to societal mindsets that continue to relegate women's roles to the domestic sphere. A broader societal shift in perceptions and attitudes is needed for these initiatives to be effective.

Supporting women's entrepreneurship also necessitates the development of legislation and frameworks that encourage and protect their economic activities. It's important to ensure women's access to financial services

and to challenge the traditional gender-biased mindset of financial institutions. The understanding of women's entrepreneurship should be broadened beyond those operating businesses from home, as women who operate businesses outside their homes likely face unique challenges. Future research should focus on the role of education in bolstering women's entrepreneurship while considering the urban and rural differences in entrepreneurial activities and aiming to encompass a wider geographical area. This will help better inform policy decisions and contribute valuable insights to the debate on women's entrepreneurship in Pakistan.

Despite the various challenges, it's important to acknowledge that significant strides have been made in women entrepreneurship in Pakistan. There are numerous examples of Pakistani women who have not only ventured into the entrepreneurial world but have also attained considerable success, inspiring many others.

These women entrepreneurs have broken barriers, navigated societal norms, and demonstrated incredible resilience to create thriving businesses across various sectors, from fashion and food services to technology and education. Their journeys illuminate the possibilities for women's economic participation and empowerment in Pakistan. Moreover, their successes contribute to challenging traditional norms and transforming societal attitudes towards women in entrepreneurship.

Continued progress will require sustained efforts from all sections of society – governments, financial institutions, educational establishments, and society at large. This includes the continued development of supportive legislation and entrepreneurial

frameworks, improved access to education and financial services, and societal shifts in attitudes towards women entrepreneurs. The successes of these trailblazing women entrepreneurs indicate the potential for a vibrant and inclusive entrepreneurial future in Pakistan, with women firmly at its heart.

### 9.8.1 Brief Overviews of the women entrepreneurs

The strength of an economy and the growth of a society significantly hinge upon the dynamism of its entrepreneurs. Especially in Pakistan, female entrepreneurs have been at the forefront, displaying tenacity, innovation, and an unwavering commitment to their respective fields. Here is a compilation of these trailblazers, arranged in a tabular format, showcasing their contributions to their sectors and the overall socio-economic landscape of Pakistan.

**Sana Hashwani and Safinaz Muneer:** These two women are the founders of "Sana Safinaz", a prestigious luxury clothing and lifestyle brand that has been a significant part of Pakistan's fashion industry since 1989. The brand is internationally recognized for its elegant designs for women's clothing that cater to all occasions.

**Jehan Ara:** Jehan Ara is the founder of "Katalyst Labs", a renowned business incubator and community space for technology startups in Karachi. Her work has greatly influenced the tech startup landscape in Pakistan and helped foster the growth of numerous successful companies.

**Sadaffe Abid:** Sadaffe is the co-founder of "CIRCLE", a platform committed to promoting women's economic inclusion and leadership in Pakistan. CIRCLE trains women in leadership skills, fosters female entrepreneurship,





and promotes women's active participation in the digital economy.

**Nabila Maqsood:** Nabila is the founder of "Nabila Salon". She has significantly contributed to Pakistan's beauty industry since the 1980s, shaping Pakistani fashion aesthetics and establishing a beauty empire that includes multiple salon branches and a cosmetics line called "Zero Makeup".

**Frieha Altaf:** As a recognized fashion choreographer and event planner, Frieha has made substantial contributions to Pakistan's fashion industry through her company, "Catwalk Event Management & Productions". She also launched the #MainBhi campaign, advocating against child sexual abuse.

**Sabrina Dawood:** Sabrina, the CEO of the "Dawood Global Foundation", is dedicated to empowering women and children through education, entrepreneurship, and health initiatives. Her Ladiesfund initiative specifically targets women entrepreneurs in Pakistan, providing opportunities for mentorship, networking, and funding.

**Mussarat Misbah:** As the founder of "Depilex", a leading beauty salon and training institute, Mussarat Misbah has significantly contributed to Pakistan's beauty industry. In addition to Depilex, she founded the Depilex Smileagain Foundation, which offers free reconstructive surgery, medical care, and vocational training to women who have survived acid attacks.

**Sharmeen Obaid Chinnoy:** Sharmeen is a two-time Academy Award-winning filmmaker who uses her powerful documentaries to advocate for human rights, women's issues, and social change in Pakistan.

**Amneh Shaikh-Farooqui:** As the co-founder of "Polly and Other Stories", Amneh has created a platform that promotes artisans, designers, and creative entrepreneurs across Pakistan. Her work has significantly contributed to the preservation of traditional crafts and the promotion of contemporary design.

**Fouzia Qazi:** Fouzia is the founder of "Nature's Best", a company dedicated to natural and organic food products. Her work helps to shift the food landscape in Pakistan towards sustainability and wellness.

**Mahwish Rafid:** Mahwish is the co-founder of "Colish", a luxury home fragrance brand based in Karachi. The brand offers a range of products including scented candles, reed stick diffusers, interior sprays, and an eau de perfume collection, representing Rafid's personal interest in interiors, home, and lifestyle.

**Shafaq Sewani:** Shafaq is the co-founder of "Fresh Basket", Karachi's first agri-retail chain promoting healthy eating. Fresh Basket, which began as a single store in 2018, has expanded to three branches and a robust online presence within just three years.

**Mahlaqa Shaukat:** Mahlaqa is the co-founder of "AimFit", a digital fitness platform for women. AimFit offers personal coaching and live workouts through an app available worldwide, and also operates four studio locations for in-person fitness classes.

**Zillay Mariam:** Zillay Mariam is the founder of "ISP Environmental Solutions (Pvt.) Ltd.", a company committed to creating sustainable environmental solutions. Her company represents a promising endeavor to combat environmental challenges.



**Anusha Fatima:** Anusha is the founder of "TrashIt", a social enterprise that aims to manage waste effectively and promote a circular economy in Pakistan. Her work demonstrates a progressive approach to waste management, aligning with global sustainability goals.

**Nadia Patel Gangee:** Nadia is the founder of "Sheops", Pakistan's first online marketplace for women. Sheops provides a safe and convenient platform for women entrepreneurs and consumers, promoting female entrepreneurship, financial independence, and inclusivity.

**Kanwal Ahmed:** Kanwal is the founder of "Soul Sisters Pakistan", an online platform that serves as a safe space for Pakistani women to share, learn, and discuss a variety of topics. Her initiative is a testament to the power of online communities in promoting open dialogue and solidarity.

## 9.8.2 Case Studies

### Roshni Baji Programme

The Roshni Baji Programme is an award-winning women neighbourhood ambassador programme launched by K-Electric (KE), an electric distribution company based in Karachi, Pakistan, in 2021. The programme was designed to enhance the connection between KE and its customers, with a particular focus on women and children in low-lying communities who are more vulnerable to electrocution incidents inside homes due to faulty equipment and unsafe behaviours. It aligns with the United Nation's 5th Sustainability Development Goal (SDG 5) which aims to achieve gender equality and women empowerment by the year 2030, and the vision of Chairman NEPRA "Power with Prosperity", which emphasizes societal

upliftment.

The Roshni Baji Programme is based on the insight that education and awareness are critical to reducing the incidence of electrical accidents in at-risk communities. As such, female safety ambassadors, or 'Roshni Bajis', go door-to-door demonstrating the importance of electrical safety, encouraging conversion to safer legal electricity connections, and sharing tips on energy conservation.

The programme was designed as a holistic empowerment initiative that anticipated and addressed the challenges women could face in the field. The Roshni Bajis received extensive personal and professional capacity-building training, which included workshops on personal development, stress management, and life skills to build confidence and improve problem-solving abilities. They were also given enhanced communication skills training, motorbike riding classes to enhance mobility given the lack of safe public transport for women in Pakistan, and self-defence training to increase their sense of confidence and safety.

The first cohort of 40 women was launched in February 2021. The success of the first cohort led to the launch of a second cohort in November 2021, which included 60 women from different parts of Karachi. The Roshni Baji Programme has emerged as a compelling example of women breaking barriers in the energy sector and opening up non-traditional paths to inclusion. The Roshni Bajis have been given the opportunity to work in fields that have been male-dominated for decades, allowing them to break barriers and rewrite the norms. Furthermore, by equipping these women with new skills and confidence, K-Electric is not only providing gainful employment but also empowering them to play a more active role in their





communities and the economy at large<sup>1</sup>. Beyond empowering women, the programme has significantly impacted the broader community. By engaging households in discussions around safety and energy conservation, the Roshni Baji Programme has contributed to creating safer and more energy-conscious communities.

K-Electric's efforts through the Roshni Baji Programme were recognized internationally when the company was awarded the S&P Global Energy Awards – the Oscar of the Energy Sector – in the Corporate Social Responsibility category. This award, a first for Pakistan, was given in recognition of the meaningful impact the Roshni Baji Programme continues to make in societies and communities.

The Roshni Baji Programme is a shining example of how corporations can drive societal upliftment and gender equality through innovative, community-focused initiatives. By investing in women's empowerment and community engagement, K-Electric has created a lasting and positive impact on the communities it serves. The success of the Roshni Baji Programme underlines the importance of gender equality and women's empowerment for sustainable development. It shows how providing women with the necessary skills and opportunities can benefit not only the individuals involved but also the wider community and economy. The programme serves as a model for other companies looking to develop inclusive programmes that can drive social and economic change.

### WomenInTechPK

WomenInTechPK is an inclusive, women-only community that was launched in September 2016. It started as a Facebook group with the

aim of supporting and encouraging Pakistani female technologists to actively participate in professional and public forums. The goal of WomenInTechPK is to help build individual and personal connections where women can strategize towards creating a more diversified and inclusive environment in Pakistan for women technologists<sup>1</sup>.

The community is actively collaborating with local communities, organizations, and NGOs to increase the visibility of its members. The importance of WomenInTechPK lies in its role as a disruptive force that can fuel the tech industry both locally and internationally. It offers a supportive and safe environment for women where they can learn technical and interpersonal skills<sup>1</sup>.

WomenInTechPK provides value to its community by offering resources and initiatives such as:

- An online support and discussion forum with the ability to post anonymous questions
- A job board and opportunity-sharing platform
- Learning opportunities for women to amplify their technical skills through seminars, webinars, and boot camps
- Advocacy for inclusion and diversity in the tech industry
- Collaboration with local and international organizations with similar goals for idea and resource sharing
- Sharing success stories of women with impactful initiatives and recommending them for promotion and recognition opportunities
- Surveys and research data collection on the wage gap, community effectiveness, and



workplace harassment

- CSR campaigns for Education, Entrepreneurship, and health-related local and international initiatives
- Showcasing the work and talent of women in technology with the Incredible WomenInTechPK Interview Series
- Highlighting the number of women in technology by featuring their Twitter profiles for the world to see, follow, and get inspired. By the numbers, as of the latest data available, WomenInTechPK has held 32 webinars, has 6,144 members, has held 10 meetups, has 25 signed MoU, has run 2 CSR campaigns, has done 4 surveys, and has featured 125+ women, among other accomplishments<sup>1</sup>.

The founder of WomenInTechPK is Faiza Yousaf

### The Farmette

The Farmette is a pioneering organization in Pakistan, founded by Fatima Zaka, with a mission to create a sustainable and responsible food system. By focusing on a sustainable supply chain, reducing food waste, empowering farmers, and promoting fair distribution and wages, The Farmette aims to revolutionize the way local produce is grown, distributed, and enjoyed in the country. In an unbalanced distribution chain, small to medium farmers often face significant challenges, leading to limited access to markets and lower incomes. Fatima Zaka, a green-thumbed farmer herself, recognized the need to address these issues and founded The Farmette as a solution to support farmers and promote sustainability in agriculture.

The Farmette's primary objectives include establishing a sustainable supply chain that reduces food waste, empowering farmers by providing them access to new markets and fair wages, promoting 100% local sourcing to support the economy and highlight the beauty of Pakistani produce, and supporting and encouraging female growers in the agricultural industry.

The Farmette focuses on developing a distribution model that empowers growers within the supply chain. By reducing distribution times, they significantly reduce food waste and ensure that product reaches customers in its freshest quality. The organization works closely with a trusted community of farmers, vendors, and retailers to make superior-quality produce accessible to millions of people in Pakistan.

The Farmette aims to empower farmers by providing fair distribution and wages, thus supporting their livelihoods.

The Farmette prides itself on sourcing all its produce from local farmers in Pakistan. By emphasizing local sourcing, they contribute to the country's economy and highlight the rich agricultural heritage of the region. As a female-founded company, The Farmette places a strong emphasis on supporting women in the agricultural industry. By providing opportunities and resources, they strive to bridge the gaps in agri-business for capable women growers and enable them to thrive.

The Farmette has achieved significant impact and results since its establishment, including improved livelihoods for farmers through fair distribution and wages, reduction in food waste due to a streamlined supply chain and shorter distribution times, increased accessibility to fresh, high-quality produce for



millions of consumers in Pakistan, and the empowerment of women in AgriTech, fostering gender equality in the agricultural industry.

Under the visionary leadership of CEO Fatima Zaka, has emerged as a driving force in transforming the food system in Pakistan. By focusing on sustainability, empowering farmers, promoting fair distribution, and supporting women in AgriTech, they have built a successful model that benefits both farmers and consumers. The Farmette's commitment to local sourcing and reduction of food waste sets an inspiring example for others in the industry. With its continued efforts, The Farmette is poised to shape the future of agriculture in Pakistan, creating a more equitable and sustainable food system for all.

### **Abacus Consulting**

Abacus Global is a leading international professional services firm that specializes in providing world-class and cutting-edge technology, consulting, and outsourcing solutions. Founded in 1987, the company has grown significantly over the years and now boasts more than 3,000 employees, 12 offices serving four continents, one tech venture, and over 1,000 enterprise clients in 30 countries. Abacus has delivered services valued at over \$220 million across 40 industries and eight sectors, highlighting its broad reach and diverse portfolio.

Abacus prides itself on creating next-age agile solutions to help businesses scale their passion and stay future-ready. It offers a range of services, including technology solutions, consulting, and outsourcing, all defined by quality and commitment. These services are designed to help organizations navigate the rapid changes in technology,

optimize and transform business processes in the face of disruption, and develop smart strategies for growth with agility and adaptability. In addition to these, Abacus also offers innovative training and education services, partnering with universities and other educational institutions to foster change and enhance the student experience.

The CEO of Abacus, Fatima Asad-Said, emphasizes the company's dedication to turning organizations' visions into realities. She believes that the success of Abacus is inherently linked to the success of its clients, partners, and employees, and stresses the importance of building strong, long-term relationships. This focus on engagement, combined with the company's commitment to innovation, insight, and relationship-building, has made Abacus a trusted partner for many businesses worldwide.

### **Genetech Solutions**

Genetech Solutions is an esteemed software solutions provider with a solid track record spanning over 15 years. The company boasts a diverse team of more than 70 technologists, encompassing designers, developers, testers, project and product managers. These experts are proficient across a broad and contemporary tech stack, providing services to clients worldwide. The company has gained experience in a wide range of projects, from traditional to intelligent business applications, and is currently engaged in crafting cutting-edge solutions within the realm of emerging technologies.

Clients seeking an agile, diverse, and value-driven team dedicated to fostering long-term technology partnerships will find Genetech Solutions to be an ideal fit. The company is an active participant in several



tech-related local and global bodies. Moreover, it has earned recognition for its commitment to gender diversity, having recently been awarded the Pakistan Software House Association's accolade for being the most Gender Diverse company in Pakistan.

The company also offers a service called "Tech Talent" that can help organizations find the right fit for their technology and business needs, ranging from tech experts to creative individuals. They take responsibility for all infrastructure and administration needs of the talent they provide, making it easier for the organizations they work with<sup>2</sup>. The process is straightforward: discuss staffing needs, receive potential matches, interview candidates, and hire the talent. They have received positive reviews from clients and have delivered work across various industries including technology, education, health-care, and consultancy.

Notably, Genetech has worked with an array of technologies, including Figma, CodeIgniter, AJAX, and Java, among others. They have a proven track record of delivering excellent work to their clients for nearly two decades. Genetech is also open to partnerships, mergers, and acquisitions with other tech companies, and they actively seek these opportunities in tech events such as Collision Canada

The company was founded by Shamim Rajani and Mustafa Hemani

### **Tee Square**

TeeSquare is propelled by the passion and dedication of Zainab Hameed and Sadia Junaid, two dynamic women who envision Pakistan realizing its full potential. Collectively, they bring four decades of experience from top-tier companies in Pakistan, transi-

tioning from corporate executives to social entrepreneurs, committed to making a significant contribution to their country's economy through quality education. Pakistan faces an education crisis, with a youthful population but a literacy rate of just 59%. The statistics for women's literacy are even more alarming, standing at a mere 47%, with only a 3% increase from 2006 to 2017. The conventional definition of literacy is basic, but a more detailed examination reveals that functional literacy, which contributes to professional development, is even lower.

Studies indicate that an educated mother positively impacts her own and her children's well-being, leading to a healthier community. In response to this, Hameed and Junaid have devised a solution that utilizes technology to make quality education more accessible for women and their children. They are establishing a foundation for a brighter tomorrow, imbuing hope for an improved future.

Their primary initiative, Team Taleem, is an affordable, inclusive, and empowering edtech platform for out-of-school children and adults. This accelerated learning program lays the groundwork for proficiency in English, Urdu, and Math.

### **ConnectHear**

ConnectHear is a social start-up based in Pakistan, focused on providing professional sign language interpretation services. The company offers services that include booking an interpreter, translating content, and learning sign language. They aim to bridge the communication gap for the Deaf community, allowing them to become truly independent. The company provides trained, professional sign language interpreters for quality services. The services are provided



through both video-based and in-person mediums.

ConnectHear was started by Azima Dhanjee, who is a Child of Deaf Adults (CODA). Growing up as an interpreter for her parents, she was motivated to create a platform that would allow Deaf individuals to communicate independently. Azima Dhanjee serves as the CEO and co-founder of the company.

The team at ConnectHear also includes Arhum Ishtiaq, who is the CTO and co-founder, Syed Talal Ali, the Production and Content Manager, Yawer Mustafa, the Junior Production Manager, Aliya Afzal, the Lead Sign Language Interpreter and Trainer, and Eman Ahsan, a Sign Language Trainer based in Karachi. Through their services, ConnectHear has been able to make significant strides in advocating for social inclusion and the rights of Deaf individuals in Pakistan.

## 9.9 FinPak Collaboration for Women Empowerment

In our rapidly globalizing world, there is tremendous potential for strategic collaboration between Finland and Pakistan to foster women's empowerment and economic development in Pakistan. Finnish institutions such as FinnPartnership, FinnFund, and The Women Entrepreneurs of Finland (Suomen Yrittäjänaiset), along with the Business and Professional Women (BPW) Finland, could play critical roles in catalyzing these collaborations.

**FinnPartnership:** The Finnish business partnership program, FinnPartnership, can act as a liaison to facilitate partnerships between Finnish and Pakistani women entrepreneurs. Through FinnPartnership, Finnish businesswomen can share their skills and experiences with their Pakistani counterparts. FinnPart-

nership can also fund joint ventures and market studies to identify sectors with high growth potential.

**FinnFund:** FinnFund, a Finnish development financier and impact investor can help catalyze Finnish investment in Pakistani businesses run by women. FinnFund could provide capital for women entrepreneurs in Pakistan to grow their businesses, invest in new technologies, and scale their operations. These investments could also focus on sectors like renewable energy, circular economy, and agriculture, stimulating sustainable development in Pakistan.

**The Women Entrepreneurs of Finland (Suomen Yrittäjänaiset):** This organization can spearhead mentoring programs and knowledge exchanges between Finnish and Pakistani women entrepreneurs. They could conduct webinars and workshops to share successful entrepreneurial practices and discuss overcoming the challenges faced by women entrepreneurs. Furthermore, they could also set up a digital platform for networking, fostering connections between businesswomen of both nations.

**Business and Professional Women (BPW) Finland:** As a branch of an influential global networking organization, BPW Finland can offer Pakistani women entrepreneurs a platform for international exposure, networking, and business opportunities. BPW Finland can also advocate for policy dialogues to improve the business environment for women entrepreneurs in Pakistan.

**Networking and Partnership:** These organizations, especially BPW Finland, can provide a networking platform for women entrepreneurs from both countries. This international network can facilitate the sharing of experiences, industry practices, innovation, and foster a bridge for collaboration and shared growth.

**Training and Skill Development:** They can establish training programs tailored for Pakistani women entrepreneurs, focusing on essential skills such as financial management, marketing, negotiation, leadership, and digital literacy, all of which are critical for business growth and success.

**Mentorship and Knowledge Sharing:** By creating mentorship programs, Finnish businesswomen can guide and support Pakistani women entrepreneurs, allowing them to gain insights into international business practices, industry trends, and strategies for overcoming challenges.

**Advocacy and Policy Dialogue:** The global platforms these organizations provide can be used to advocate for policies promoting women's entrepreneurship and gender equality in Pakistan. By highlighting the barriers faced by Pakistani women entrepreneurs, these organizations can push for policy changes that foster a more conducive environment for women-led businesses.

**Investment and Funding:** They can encourage Finnish women investors to fund Pakistani women-led startups and SMEs. This would offer Pakistani women entrepreneurs much-needed capital to expand their businesses, innovate, and create jobs.

**International Exposure:** By showcasing the success stories of Pakistani women entrepreneurs on their international platforms, these organizations can increase their visibility, opening up opportunities for international partnerships and trade.

**Trade Delegations:** Organizing trade delegations would allow for direct interaction and business dealings, giving Pakistani entrepreneurs the opportunity to forge new business relationships and expand their global reach.



### Sectoral Opportunities:

The intersection of gender, economic development, and entrepreneurship forms a compelling matrix that holds immense potential for transforming societies. Women entrepreneurs have proven their mettle across various sectors, and their further integration into the mainstream offers vast socio-economic dividends.

The following table encapsulates a range of opportunities where collaboration between Finland and Pakistan could be particularly beneficial. It outlines how these two nations, each with their unique strengths and potential, can work together to foster women's entrepreneurship and leadership, and how such collaborations will be mutually beneficial. Potential Finnish institutions that could play a key role in these collaborations are also identified.

**STEM Collaboration:** Finland's leading tech companies and institutions could partner with initiatives fostering gender parity in the Pakistani tech industry, bridging the gender gap in STEM fields and driving diversity and innovation in both nations. Potential institutions for collaboration include Nokia, VTT Technical Research Centre of Finland, Aalto University, CodeGirls, WomenInTechPK, Women Engineers Pakistan, and Katalyst Labs.

**Cybersecurity Cooperation:** Finnish cybersecurity companies and research institutions could collaborate with Pakistani counterparts, providing expertise and guidance. This collaboration could bridge the gender gap in cybersecurity, boost women's participation in this critical field, and enhance the cybersecurity infrastructure in both nations. Potential institutions include F-Secure, VTT Technical Research Centre of Finland, Aalto University,

National Centre for Cyber Security, and Cyber Security Centre Pakistan.

**Gaming Industry Partnership:** Finnish gaming companies could partner with budding gaming startups in Pakistan, providing them with essential mentorship and funding opportunities. This could support the burgeoning gaming industry in Pakistan and provide Finnish companies with diverse perspectives and access to new markets. Potential institutions include Supercell, Rovio, Housemarque, Next Games, ToffeeTV, GameView Studios, and Caramel Tech Studios.

**Agriculture Collaboration:** Finnish agricultural companies could collaborate with Pakistani counterparts on sustainable initiatives, imparting skill-based training and creating job opportunities for women. This would enhance women's participation in these sectors, promote sustainable practices, and boost economic growth in both countries. Potential institutions include Valio, Natural Resources Institute Finland (LUKE), Agri Tourism Development Corporation of Pakistan, and Pakistan Agricultural Research Council.

**Textile Industries Cooperation:** Finnish textile companies could collaborate with Pakistani counterparts on sustainability initiatives, creating employment opportunities for women and giving them skill-based training. This will enhance women's participation, promote sustainable practices, and boost economic growth in both countries. Potential institutions include Marimekko, Finnforel, Fiskars Group, ChenOne, Gul Ahmed, and Khaadi.

**Sustainable Energy Partnership:** Finnish companies could collaborate with Pakistani firms on sustainable energy projects, creating

jobs for women at both the top leadership and bottom/field levels. This partnership will promote gender equality and contribute to sustainable development in Pakistan. Potential institutions include Wärtsilä, Fortum, Neste, VTT Technical Research Centre of Finland, K-Electric, Pakistan Renewable Energy Society, and Alternative Energy Development Board.

**Recycling and Circular Economy Collaboration:** Women entrepreneurs in both countries could establish businesses that supply products made from recycled plastic to leading global brands. This collaboration will create job opportunities, promote the circular economy, and contribute to environmental conservation in both countries. Potential institutions include UPM, Neste, Lassila & Tikanoja, Sitra (Finnish Innovation Fund), TGA (The Green Art), Waste Busters, and Saaf Suthra Sheher.

**Entrepreneurship and Leadership Partnership:** Organizations in both countries could create platforms for women entrepreneurs to network, share resources, and collaborate on business ideas. This would enhance the growth and international exposure of women-led businesses in both countries, foster gender equality, and encourage diversity in leadership roles. Potential institutions include BPW Finland, Business Finland, Helsinki Business Hub, Women's Entrepreneurial Centers of Resources, Education, Access, and Training for Economic Empowerment (WECREATE), and Women Chamber of Commerce and Industry (WCCI).

**Freelancing Collaboration:** Finland, with its robust digital infrastructure, can help develop similar infrastructure in Pakistan to support the growth of the freelance economy. This will create more job opportunities for women, allowing them to work flexibly and remotely

while contributing to the digital economy of both countries. Potential institutions include Ministry of Transport and Communications Finland, Business Finland, Ministry of Information Technology and Telecommunication Pakistan, and Punjab Information Technology Board.

**Sustainable Fashion Partnership:** Finnish sustainable fashion brands could collaborate with Pakistani counterparts to exchange sustainable practices and innovative design ideas. This collaboration will contribute to the global sustainable fashion movement, promote creativity, and create job opportunities for women in both countries. Potential institutions include Marimekko, Ivana Helsinki, Myssyfarmi, Aalto University, Helsinki Fashion Week, Globe Hope, Khaadi, Gul Ahmed, ChenOne, and Kayseria.

**Teacher Training Cooperation:** Finnish education institutions, renowned for their high standards, could collaborate with Pakistani education departments to offer teacher training programs. This can improve the quality of education in Pakistan, create opportunities for women in the teaching profession, and foster bilateral educational exchanges. Potential institutions include University of Helsinki, University of Jyväskylä, University of Oulu, National Agency for Education, FESF, University of Turku, Allama Iqbal Open University, National University of Sciences and Technology (NUST), Quaid-i-Azam University, and Punjab Education Foundation.

**Handicrafts Collaboration:** Finnish businesses can collaborate with Pakistani artisans to promote traditional Pakistani handicrafts in the Finnish market. This will enhance the livelihood of Pakistani artisans, mostly women, and introduce Finnish consumers to the rich cultural heritage of Pakistan. Potential





institutions include Iittala, Fiskars Group, Arabia Finland, Marimekko, Finnish Crafts Organization Taito, Aalto University School of Arts, Design and Architecture, Hunerkada, Aik Hunar Aik Nagar (AHAN), Pakistan Handicrafts, and The Handicrafts Association of Pakistan.

**Hosiery Industry Partnership:** Finnish companies could collaborate with Pakistan's hosiery industry, known for its high-quality products, to tap into new business avenues. This will create job opportunities for women, foster skills development, and contribute to the textile industry's growth in both countries. Potential institutions include Nanso Group, Luhta, Reima, Finnwear, Interloop, Borjan, Service Industries Limited, and Bata Pakistan.

**Skill Development Cooperation:** Finnish institutions could establish training programs tailored for Pakistani women entrepreneurs, focusing on essential entrepreneurial skills. This will empower Pakistani women entrepreneurs, enhancing their business skills, and promoting the growth of women-led businesses. Potential institutions include HAA-GA-HELIA University of Applied Sciences, Turku Vocational Institute, Institute of Business Administration (IBA), Lahore University of Management Sciences (LUMS), and National University of Sciences and Technology (NUST).

**Financial Inclusion Collaboration:** Finnish institutions and companies, known for their expertise in financial technology, can collaborate with Pakistani counterparts to improve financial services and promote financial inclusion among women. This would increase access to finance for women, promote entrepreneurship, and stimulate economic growth in both countries. Potential institutions include Bank of Finland, OP Financial Group, Nordea Bank, Fintech Finland, State Bank of

Pakistan, Telenor Microfinance Bank (Easypaisa), Habib Bank Limited, and National Financial Literacy Program for Youth.

**Food Delivery Applications Partnership:** Finnish food delivery applications can collaborate with their Pakistani counterparts to exchange best practices, and technology, and expand their user base. This collaboration will not only provide new business opportunities but also offer convenience to consumers and employment opportunities for women in both countries. Potential institutions include Wolt, Foodora, Foodpanda, Cheetay, and Eat Mubarak.

#### 9.9.1 Enhancing financial inclusion:

Finnish institutions and companies have established a robust reputation in the realm of financial technology, with strong footholds in developing innovative solutions, digital banking, and mobile payment systems. Leveraging this expertise, they can engage in collaborative ventures with Pakistani counterparts to significantly enhance financial services, targeting the enhancement of women's financial inclusion in particular.

Such cooperation could take several forms. For instance, Finnish fintech companies, alongside banking giants like OP Financial Group and Nordea Bank, could forge partnerships with Pakistani financial institutions, such as the State Bank of Pakistan, Telenor Microfinance Bank (Easypaisa), and Habib Bank Limited. These partnerships could focus on sharing knowledge and technology for digital financial services tailored to women, with an emphasis on accessibility and usability.

Finnish organizations could also collaborate with initiatives such as the National Financial Literacy Program for Youth, working together

to design and deliver financial literacy modules aimed at Pakistani women. These programs could equip women with the knowledge they need to access and effectively use financial services, which is often a significant barrier to financial inclusion. In addition, Finnish institutions could contribute to capacity-building within Pakistan's financial sector. For example, they could work with the State Bank of Pakistan to train staff and agents on gender-sensitive service delivery, or they could assist in developing gender-disaggregated data collection systems to better monitor and address gender gaps in financial inclusion.

These partnerships would not only enhance women's access to financial services in Pakistan but also stimulate entrepreneurship. By increasing access to credit and other financial tools, more women would have the resources to start and grow their own businesses, leading to economic empowerment and job creation.

Moreover, these collaborations would foster a two-way exchange of ideas and technologies, enriching the financial ecosystems of both countries. Finnish companies could gain invaluable insights into the unique challenges and opportunities presented by Pakistan's rapidly expanding digital finance market, which could spur innovation and open new business opportunities.

Institutions such as the Bank of Finland and Fintech Finland could play a critical role in facilitating these cross-border collaborations, providing the necessary support and resources to make them successful. Their engagement in such ventures would not only contribute to financial inclusion and gender equality in Pakistan but also reaffirm Finland's commitment to fostering international development and cooperation in the fintech sector.



#### 9.9.2 Supporting Women Micro Businesses in Pakistan:

In the realm of women entrepreneurship and micro businesses, Pakistan presents a vibrant landscape characterized by traditional sectors such as dairy and handicrafts. Women entrepreneurs in Pakistan have carved their niche in these sectors, utilizing skills passed down through generations and engaging in businesses closely tied to their cultural heritage.

However, there is immense potential for collaboration between Finland and Pakistan to further support and empower these women-led micro businesses. By combining Finland's expertise in areas such as technology transfer, design innovation, and business development with the local knowledge and entrepreneurial spirit of women in Pakistan, collaborative efforts can create a more inclusive and thriving ecosystem for women micro businesses.

This section explores the unique opportunities for collaboration between Finland and Pakistan, focusing on the dairy sector, handicrafts, and the creation of a supportive ecosystem that enables women entrepreneurs to flourish.

**Dairy Sector:** The dairy sector in Pakistan, with a high participation of women, offers collaboration opportunities between Finland and Pakistan to support women micro businesses. Potential areas of collaboration could include:

- **Knowledge and Technology Transfer:** Finnish expertise in dairy farming techniques, breed improvement, and milk processing can be shared with women entrepreneurs in Pakistan. This can help improve the quality and productivity of dairy products.



- **Access to Finance:** Collaborative efforts can be made to provide tailored financial products and services that meet the specific needs of women in the dairy sector. This can help women entrepreneurs access capital for herd expansion, fodder production, and dairy processing units.

- **Value Chain Development:** Collaboration can focus on strengthening the dairy value chain by improving linkages between women dairy farmers, processors, and markets. This can enhance market access for women-led micro businesses and improve their bargaining power.

**2. Handicrafts Sector:** The handicrafts sector in Pakistan presents an opportunity for collaboration to uplift women micro businesses. Potential collaboration areas could include:

- **Design and Product Development:** Finnish expertise in contemporary design and market trends can be shared with women artisans in Pakistan. This can help enhance the quality, design, and market appeal of their handicraft products.
- **Skill Enhancement:** Collaboration can focus on providing training and capacity-building programs to women artisans, equipping them with new techniques, business management skills, and knowledge of international standards.
- **Market Linkages:** Collaborative efforts can be made to connect women-led micro businesses in the handicraft sector with international markets through platforms such as trade fairs, exhibitions, and online marketplaces. Finnish networks and expertise can facilitate access to the European market.

**3. Supportive Ecosystem:** Collaboration can also focus on creating a supportive ecosystem for women micro businesses in Pakistan. Potential areas of collaboration could include:

- **Mentorship and Networking:** Finnish organizations can collaborate with local counterparts to establish mentorship programs, networking platforms, and business support services specifically tailored for women entrepreneurs in Pakistan.
- **Training and Capacity Building:** Collaborative efforts can be made to provide training and capacity-building programs covering various aspects of entrepreneurship, including financial management, marketing, and product development.
- **Access to Information and Resources:** Finnish expertise in developing digital platforms and information systems can be leveraged to provide women micro businesses in Pakistan with access to market information, business resources, and support networks.

By collaborating in these areas, Finland and Pakistan can contribute to the growth and empowerment of women micro businesses, promoting economic opportunities, and fostering sustainable development.



## Conclusion

The growing ties between Finland and Pakistan offer a promising canvas upon which an array of synergies can be painted. The vast spectrum of opportunities spanning from tech, gaming, and energy to fashion, education, and handicrafts, provides a clear roadmap for fostering a gender-inclusive bilateral growth narrative. The potential for collaboration is substantial, particularly in sectors that have been identified as instrumental for empowering women and encouraging their active participation.

Finland, with its progressive ideals and globally recognized leadership in tech, education, and sustainable practices, can provide essential guidance, mentorship, and partnership to Pakistani institutions. On the other hand, Pakistan's vibrant entrepreneurial spirit, rich cultural heritage, and rapidly advancing tech and energy sectors hold significant potential for Finnish businesses and institutions seeking diversification and growth.

The collaborative efforts outlined in this chapter stand to deliver substantial mutual benefits. Not only will these partnerships stimulate economic growth and innovation, but they will also serve to bridge gender gaps, strengthen cultural ties, and foster sustainable development in both nations. By providing women with opportunities and resources, these collaborations will empower them to be key players in their respective sectors, driving social change and ensuring a prosperous future.

However, the realization of these synergies is contingent upon a shared commitment to dialogue, exchange, and collaboration. Institutions in both countries must be willing to embrace new opportunities, confront challenges, and together build an equitable and inclusive future. Let this chapter serve as

a catalyst for a vibrant and enduring partnership between Finland and Pakistan, one that celebrates diversity encourages innovation, and champions the role of women in shaping our shared global future.

the recent diplomatic and economic advancements have set a conducive stage for enhanced collaborations. The opening of the Finnish Embassy in Pakistan has established a direct channel for engagement and communication, bringing the two nations closer. Meanwhile, the Finnish-Pakistan Business Summit, held this year, has underscored the shared commitment to bolster economic ties and explore new areas of partnership.

These developments are not just milestones but also launch pads for future collaborations. They have opened avenues for dialogue, exchange, and mutual learning, which are critical for identifying and capitalizing on collaborative opportunities. The embassy and the business summit can serve as platforms for engaging with and addressing the outlined opportunities, fostering gender-inclusive growth and sustainable development in both countries.

These steps forward are a testament to the growing importance of the Finland-Pakistan relationship and underline the immense potential for mutual benefit that exists. The continued focus on harnessing these opportunities, particularly in the context of empowering women, will not only drive economic growth and innovation but will also contribute to the larger global goals of gender equality and sustainable development. As Finland and Pakistan continue to strengthen their ties, it is hoped that the commitment to promoting the role of women will remain central to their shared vision for a prosperous and equitable future.



## Conclusion

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# Pakistan at a Glance

Pakistan, a captivating nation located in the north-west region of South Asia, is wealthy in history, cultural diversity, and breathtaking landscapes. A rich blend of ethnicities and languages creates an array of customs and cultures in Pakistan. From the tall mountains of the Karakoram Range to the lush expanses of the Indus Valley, the landscape of Pakistan is as distinct as its people. Pakistan offers an abundance of exploration and investment opportunities.

## 10.1 Geographical Information

Pakistan is positioned strategically to become Asia's preeminent trade, energy, and transportation corridor. It is also an entry point to the energy-rich states of Central Asia, the monetary-liquid Gulf States, and the economically developed titans of the Far East. This advantageous position alone renders Pakistan a market rife with opportunities.

| Aspect           | Information  |
|------------------|--|
| Location         | Northwest of South Asia  |
| Area             | 796,096 sq. km   |
| Borders          | Iran (west), Afghanistan (northwest), China (northeast), India (east), Arabian Sea (south) |
| Coastline        | 1,365 km long  |
| Provinces        | Sindh, Punjab, Balochistan, Khyber Pakhtunkhwa   |
| Autonomous State | Azad Jammu & Kashmir, Gilgit Baltistan   |





## 10.2 Population & Cultural Diversity

A complex blend of ethnicities, languages, and cultures characterizes Pakistan's population, which is extremely diverse. Key characteristics of the nation's population and its various cultures include:

| Aspect               | Information                                     |
|----------------------|---|
| Population           | Over 225 million people                         |
| Major Ethnic Groups  | Punjabis, Sindhis, Pashtuns, Balochis, Mohajirs |
| Official Languages   | Urdu, English                                   |
| Regional Languages   | Punjabi, Sindhi, Pashto, Balochi, Brohi         |
| Traditional Clothing | Shalwar Kameez, Kurta, Achkan Sherwani          |

## 10.3 Topography & Climate

Pakistan is known for its diverse topography and climatic conditions. The country features a combination of mountainous regions, plains, plateaus, coastal areas, rivers, and deserts. This geographical diversity contributes to its cultural richness and biodiversity. Pakistan experiences all four seasons, including a cool, arid winter from December to February, a hot, dry spring from March to May, the summer rainy season (southwest monsoon) from June to September, and the autumn monsoon season from October to November. The country's climate is considered one of the best in the world, with each season being tolerable and accessible amenities even during severe weather conditions.

## 10.4 Major Cities

Pakistan is home to multiple lively and progressive cities that showcase the nation's diversity and development. These cities offer unique cultural, historical, and socio-economic landscapes. Here are a few notable cities:

Karachi: The largest city and economic centre of Pakistan, known for its vibrant entertainment scene and diverse cuisine.

- Lahore: The cultural capital, attracts visitors with its historical landmarks, rich cuisine, and energetic festivals.
- Islamabad: The capital city, featuring modern infrastructure, scenic surroundings, and iconic landmarks such as the Faisal Mosque and Pakistan Monument.
- Peshawar: One of the oldest cities in South Asia, characterized by ancient architecture, bustling bazaars, and cultural treasures influenced by Pashtun culture.
- Quetta: Renowned for its breathtaking scenery and favourable climate, offering opportunities for outdoor pursuits and exploration of natural marvels

## 10.5 Major Shopping Areas

Pakistan offers a vibrant shopping experience with bustling markets and modern shopping malls. Here are some of the major shopping areas in different cities:

### 1. Karachi:

- Tariq Road: Known as a shopper's paradise, Tariq Road is a bustling commercial area offering a wide range of clothing, accessories, and footwear.

- Zamzama Boulevard: Located in the upscale neighbourhood of DHA, Zamzama Boulevard features designer boutiques, international brands, and trendy cafes.

- Empress Market: A historic market in the heart of Karachi, Empress Market is famous for its fresh produce, spices, textiles, and handicrafts.

- Dolmen Mall: Located in Clifton, Dolmen Mall is one of the largest and most popular shopping malls in Karachi. It offers a wide range of local and international brands, fashion outlets, electronics, entertainment options, and a food court.

- Lucky One Mall: Situated in Gulistan-e-Jauhar, Lucky One Mall is one of the largest malls in Pakistan. It features a vast retail space with a mix of high-end and affordable brands, a hypermarket, a cinema, and various dining options.

- The Forum: The Forum is a well-established shopping mall in Clifton, Karachi. It houses a variety of national and international fashion brands, along with electronic stores, home decor outlets, a food court, and entertainment facilities.

- The Ocean Mall: Located in Clifton, The Ocean Mall offers a premium shopping experience with a range of luxury brands, designer boutiques, jewellery stores, and high-end dining options. It also features a multiplex cinema and a kids' entertainment area.



## 2. Lahore:

- Liberty Market: Situated in Gulberg, Liberty Market is a popular shopping area with a mix of local and international brands, as well as traditional clothing and jewellery stores.
- Anarkali Bazaar: One of the oldest markets in Lahore, Anarkali Bazaar offers a wide array of clothing, fabrics, jewellery, handicrafts, and traditional delicacies.
- Packages Mall: A modern shopping mall in Lahore, Packages Mall houses a variety of local and international brands, a food court, and entertainment options.

## 3. Islamabad:

- Centaurus Mall: Located in the heart of Islamabad, Centaurus Mall is a premier shopping destination featuring high-end fashion brands, restaurants, and a cinema.
- Jinnah Super Market: Situated in F-7 Markaz, Jinnah Super Market offers a range of shops selling clothing, accessories, electronics, books, and local handicrafts.
- F-6 Markaz: Known as Super Market, this area in Islamabad houses a mix of shops offering clothing, shoes, jewellery, and home decor items.

## 4. Peshawar:

- Qissa Khwani Bazaar: An ancient market in Peshawar, Qissa Khwani Bazaar is known

for its traditional crafts, jewellery, clothing, and spices.

Khyber Bazaar: Located near the historic Qissa Khwani Bazaar, Khyber Bazaar offers a variety of goods, including clothing, electronics, and traditional Pashtun items.

## 5. Quetta:

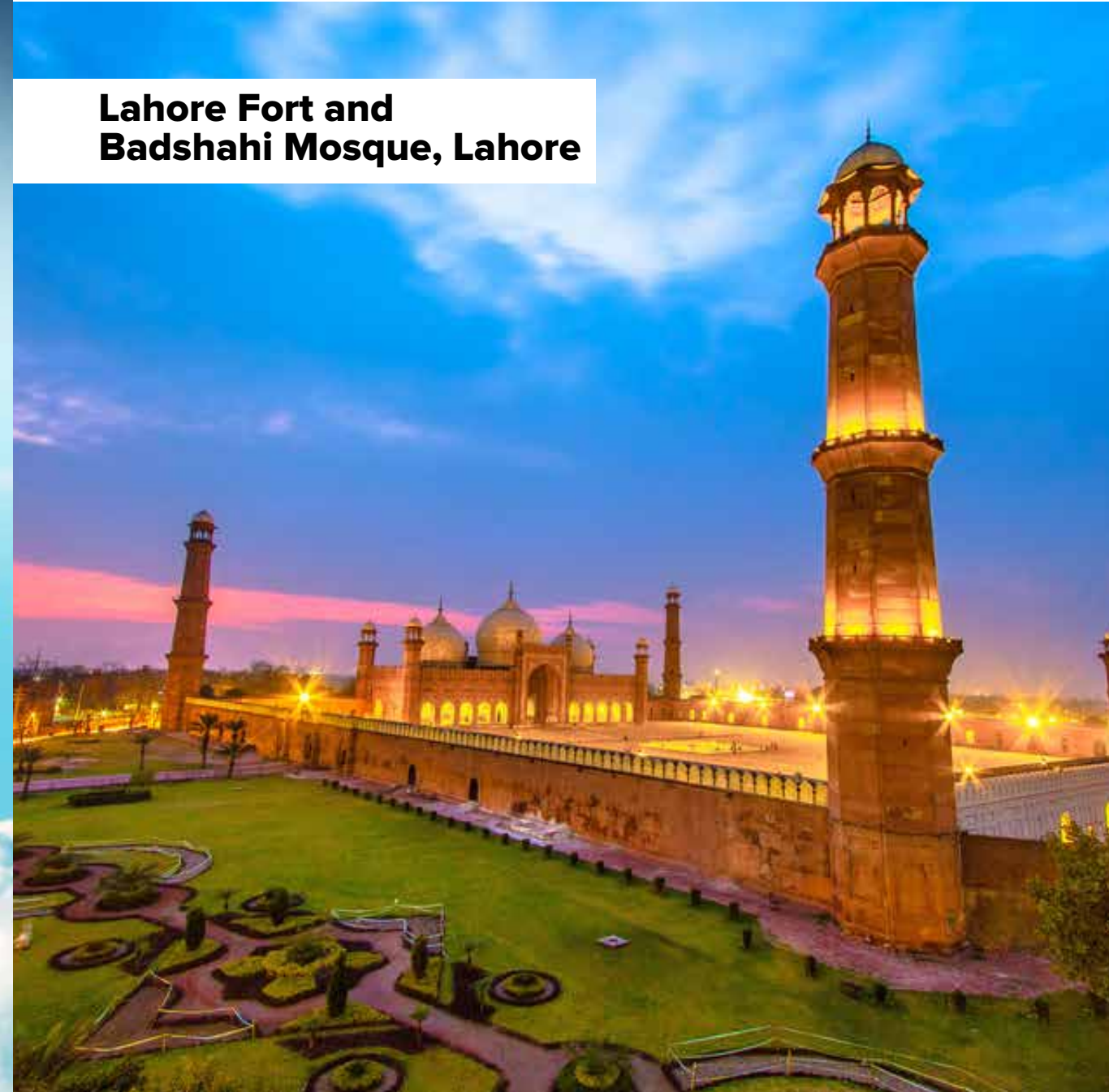
- Liaquat Bazaar: A bustling market in Quetta, Liaquat Bazaar offers a wide range of goods, including clothing, electronics, handicrafts, and dry fruits.
- Jinnah Road: One of the main commercial streets in Quetta, Jinnah Road features shops selling clothing, shoes, accessories, and traditional Balochi items.

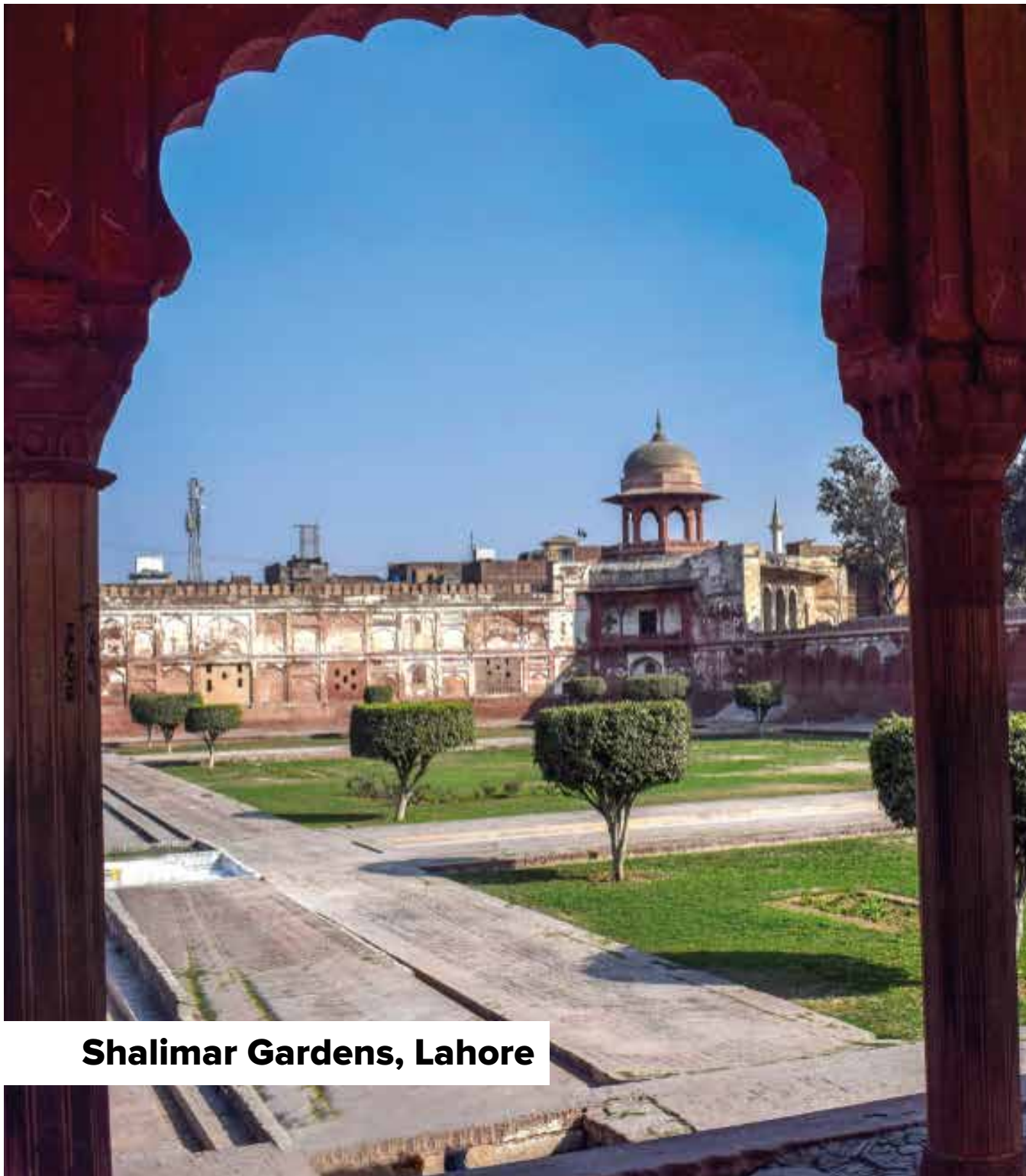
These major shopping areas cater to different tastes and budgets, providing visitors with a diverse shopping experience and the opportunity to explore local craftsmanship, fashion, and cultural artefacts.

## Historical Sights & Landmarks

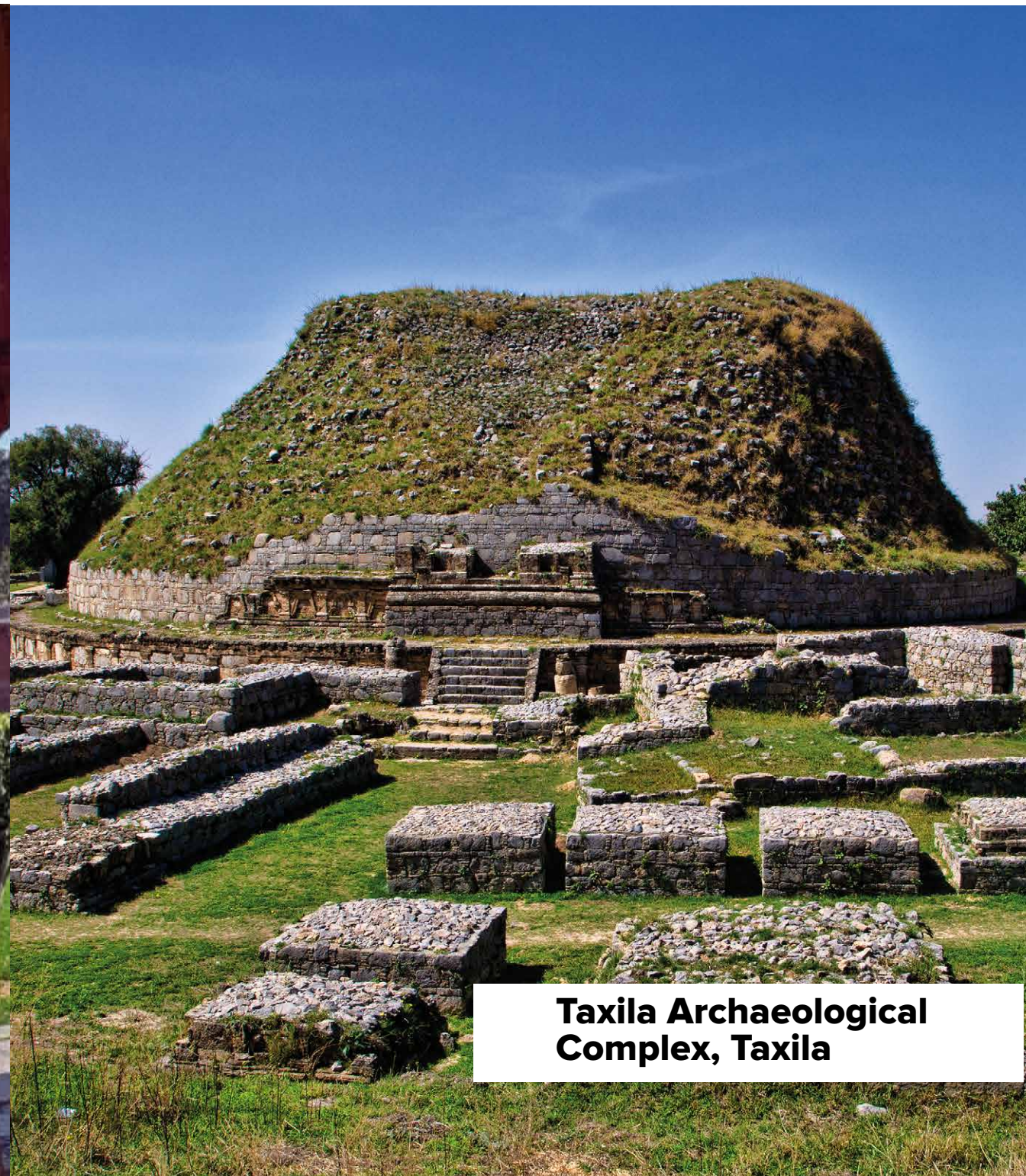
Pakistan's architectural landscape orientation, with a history stretching countless millennia, is a monument to the nation's rich legacy. The following landmarks are Pakistan's most famous historical sites to visit:

## Lahore Fort and Badshahi Mosque, Lahore





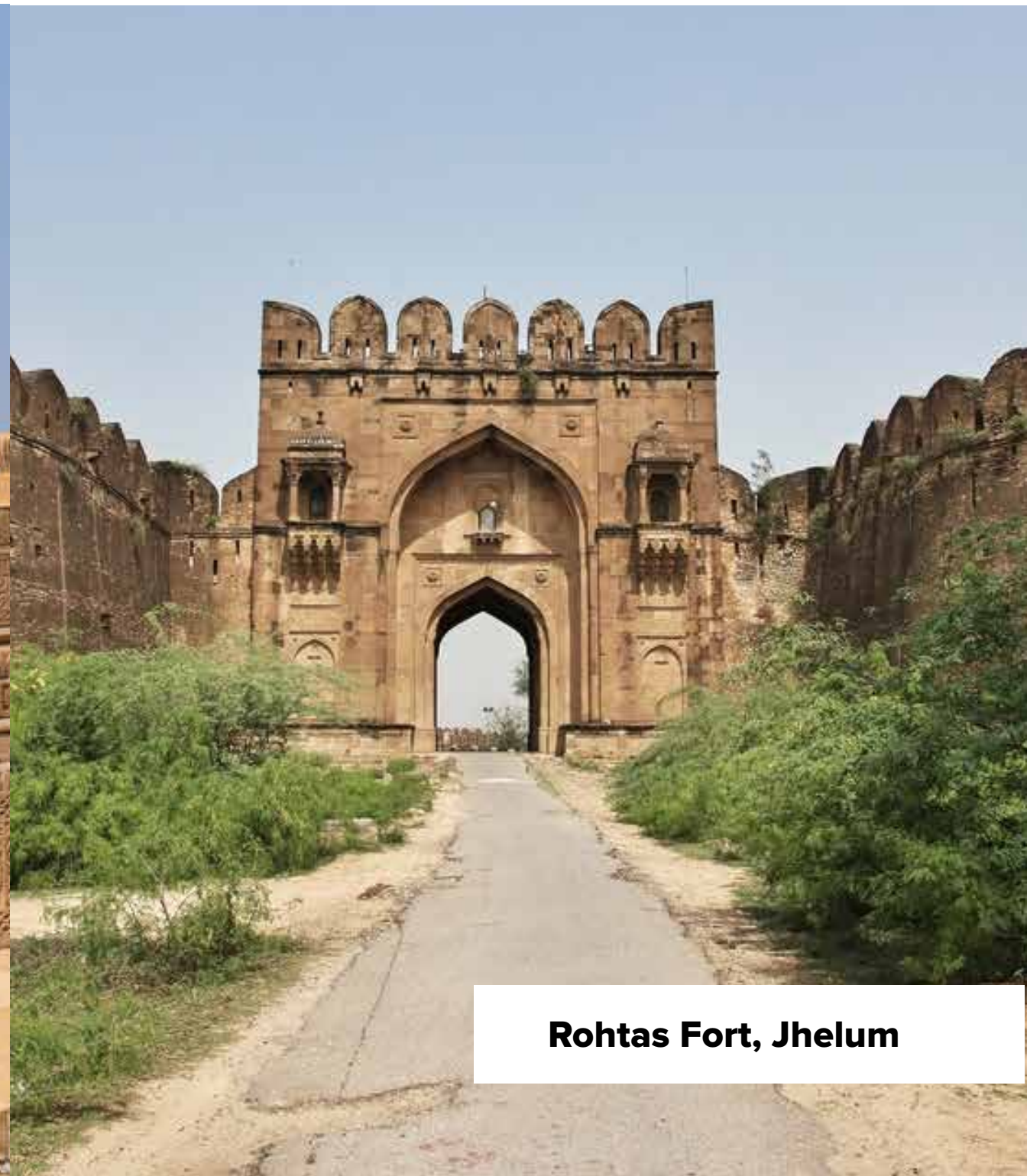
**Shalimar Gardens, Lahore**



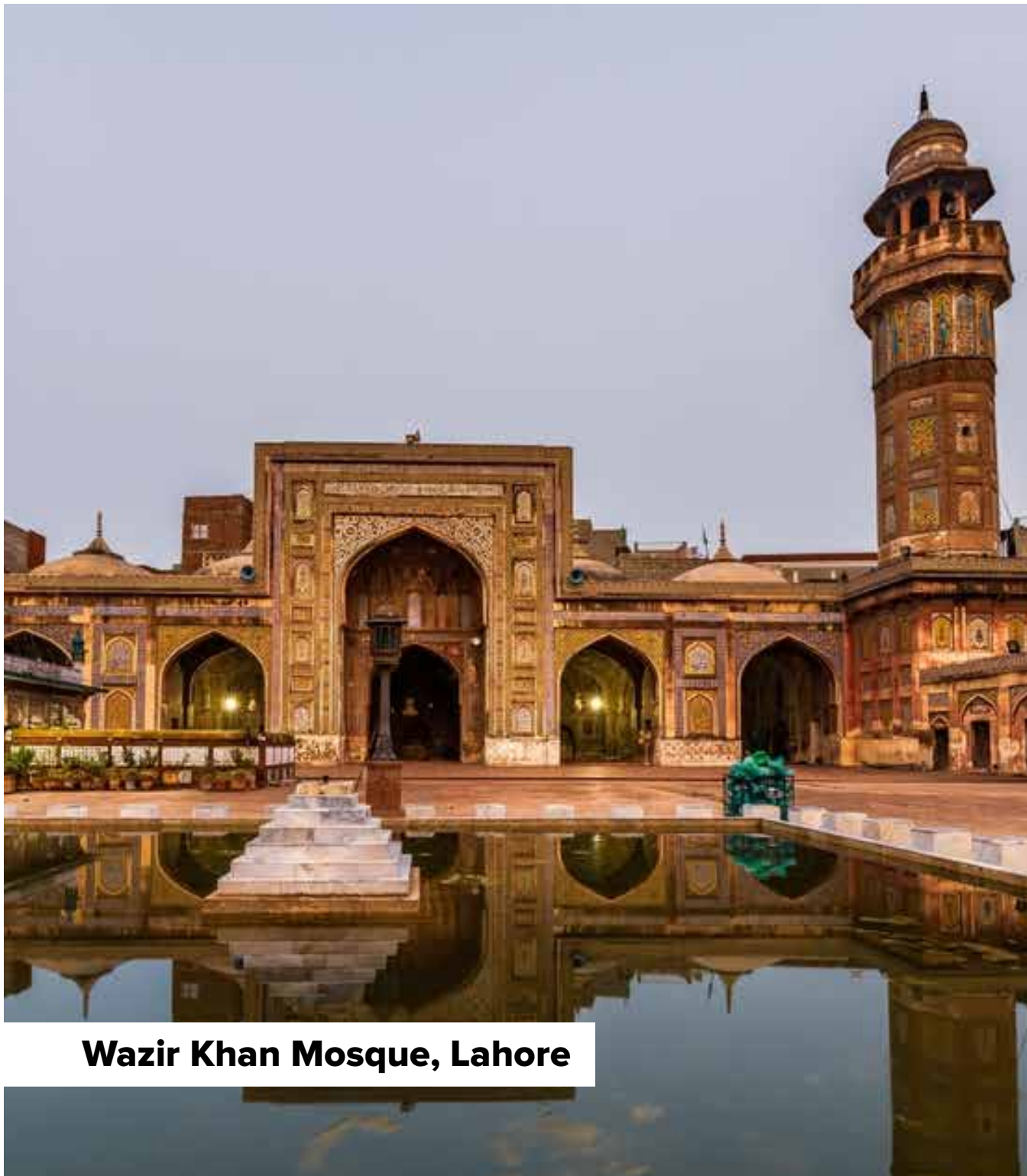
**Taxila Archaeological Complex, Taxila**



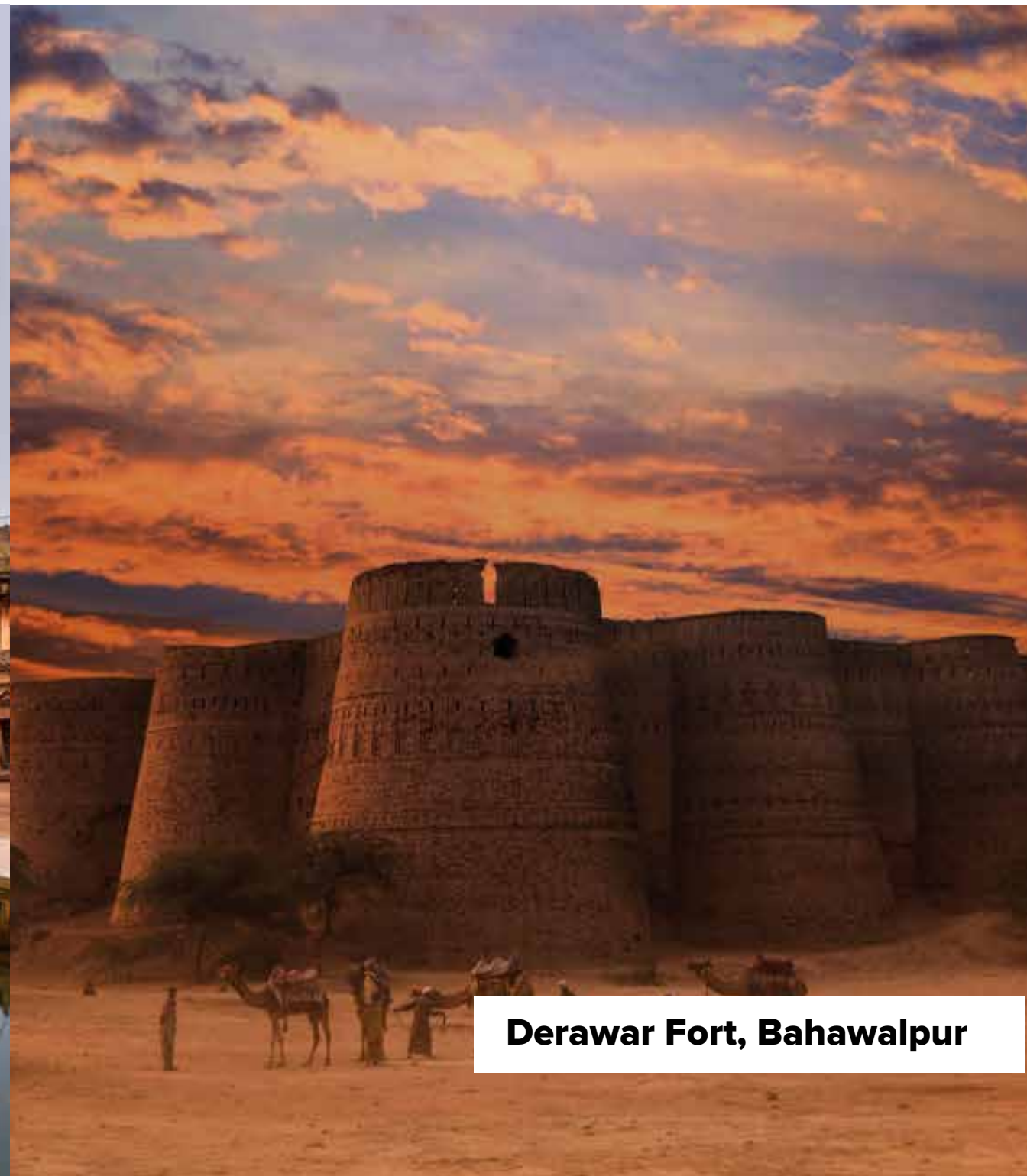
**Mohenjo-daro, Larkana**



**Rohtas Fort, Jhelum**



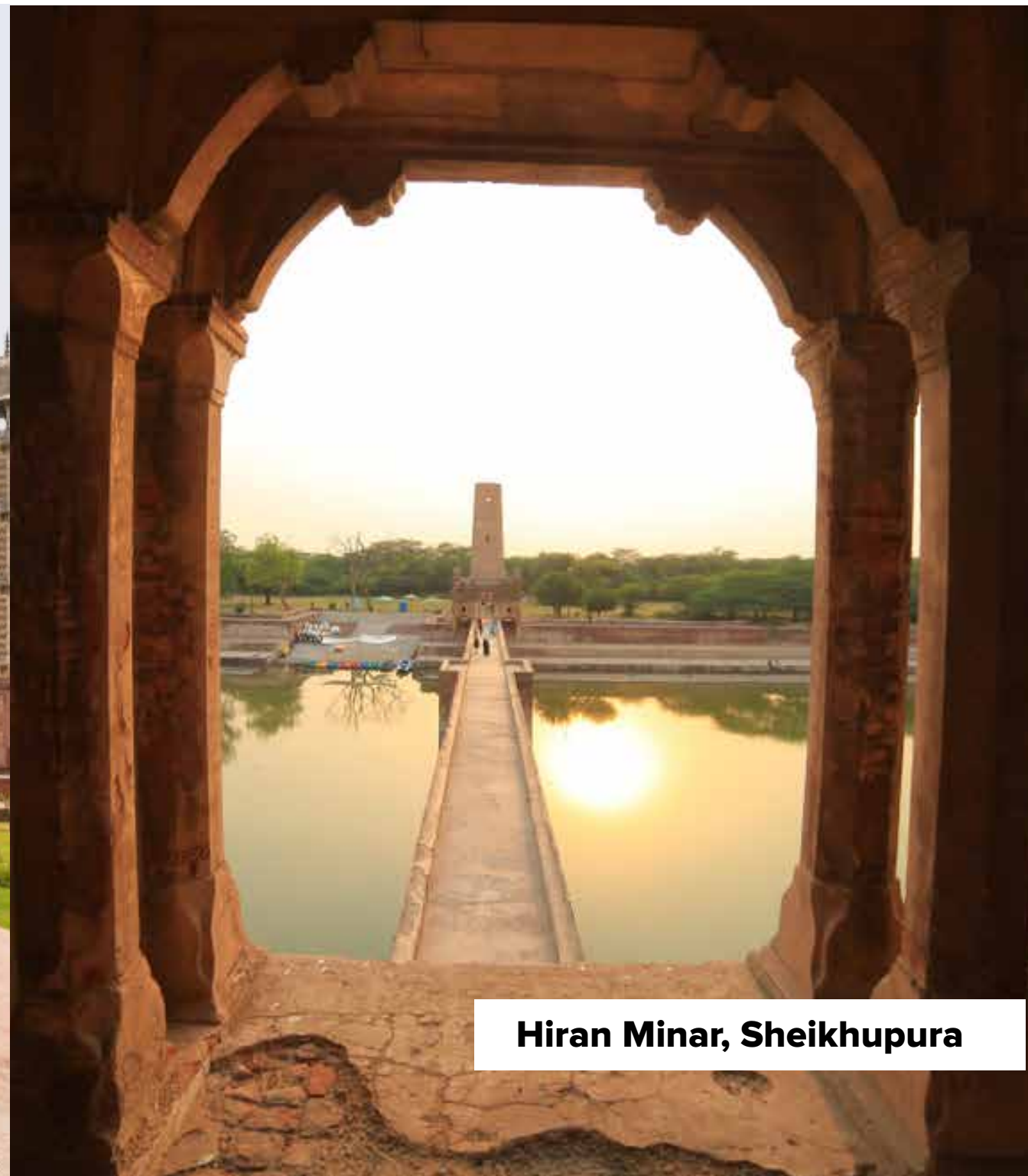
**Wazir Khan Mosque, Lahore**



**Derawar Fort, Bahawalpur**



**Tomb of Jahangir, Lahore**



**Hiran Minar, Sheikhupura**



**Ranikot Fort, Sann**



**Shah Jahan Mosque, Thatta**



## 10.7 Tourist Attractions

Pakistan is a country with a diverse range of tourist destinations. Here are a few of Pakistan's best tourism destinations.

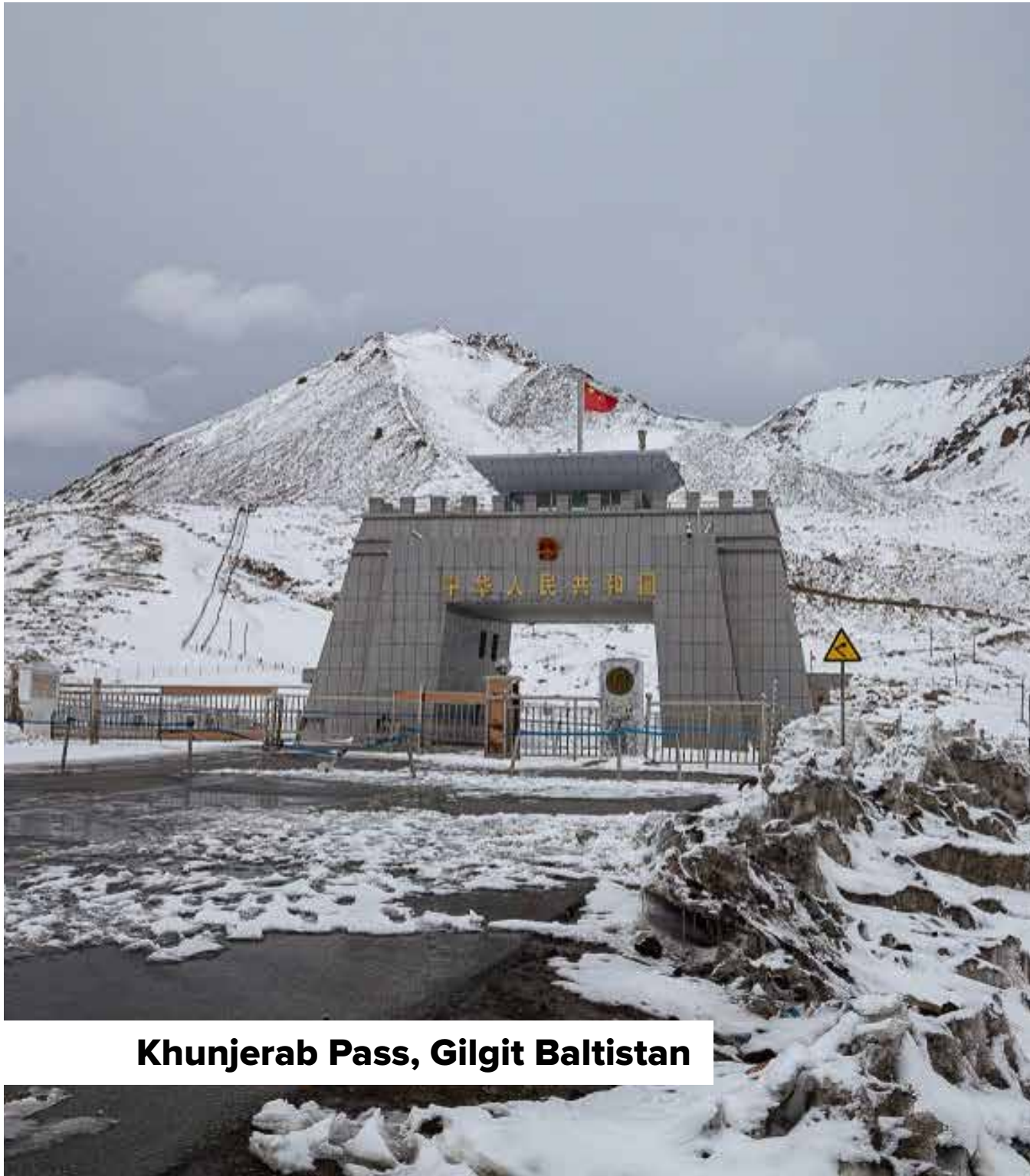
### Fairy Meadows, Gilgit Baltistan



**Harappa Archaeological Site, Punjab**



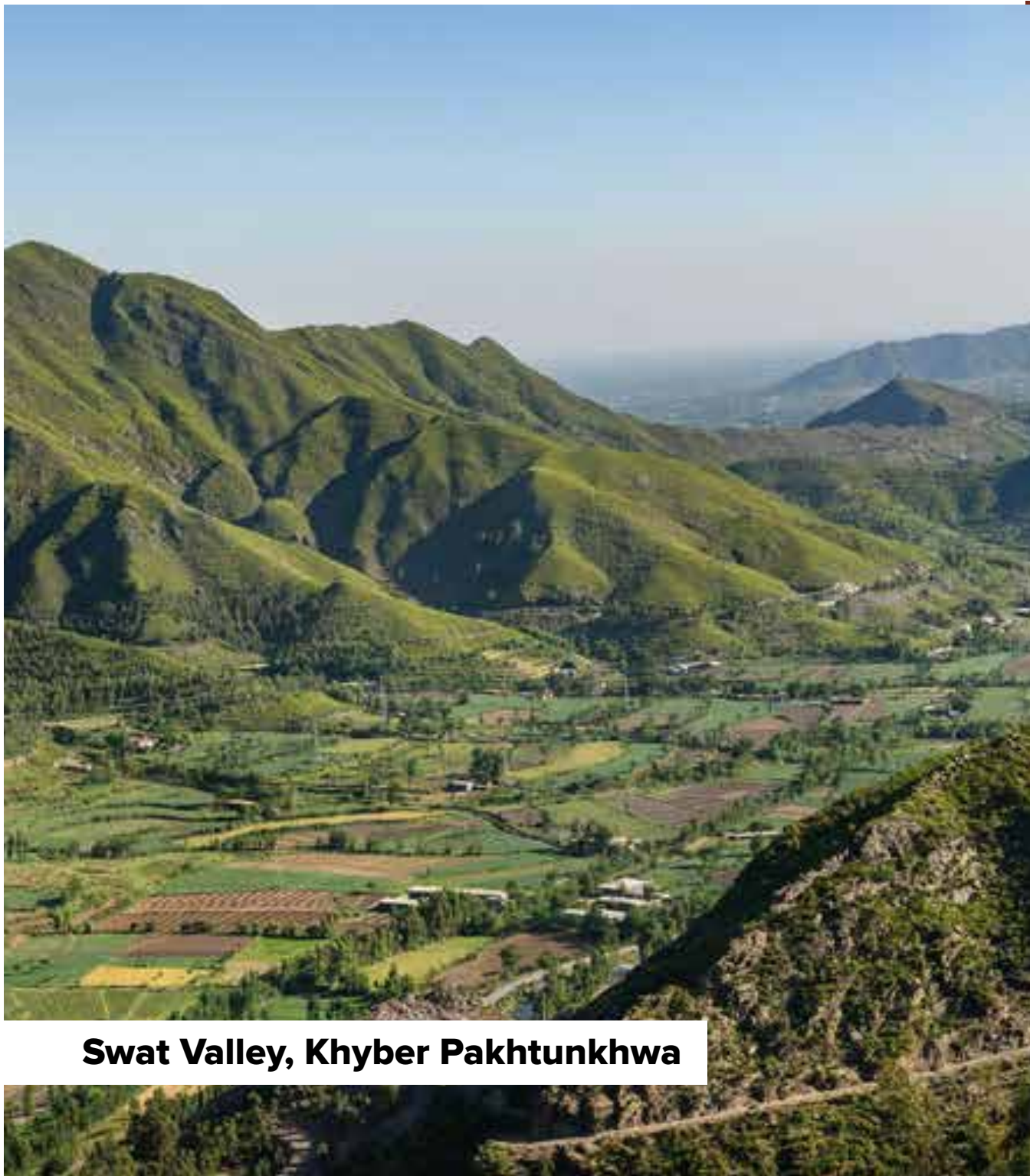




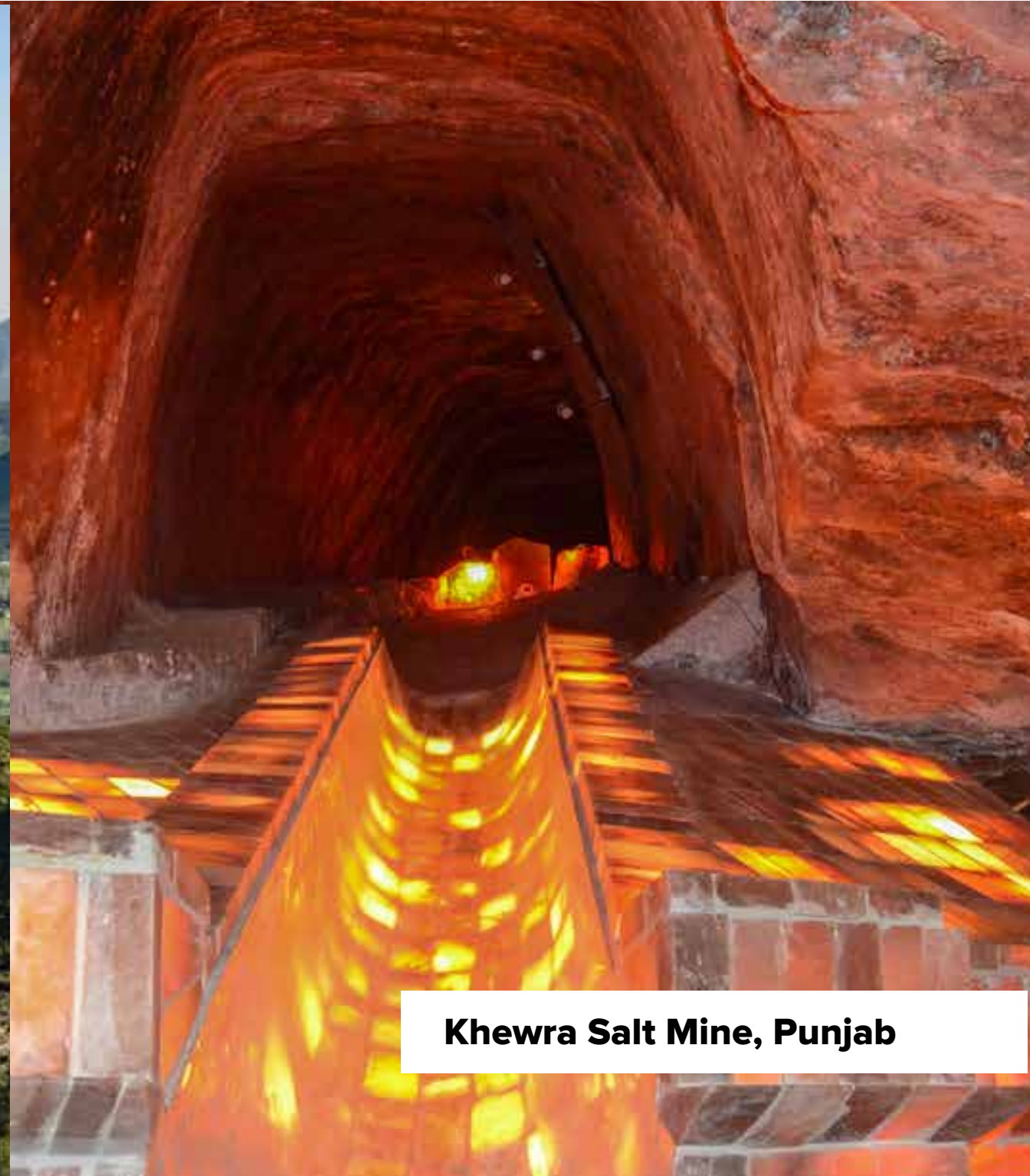
**Khunjerab Pass, Gilgit Baltistan**



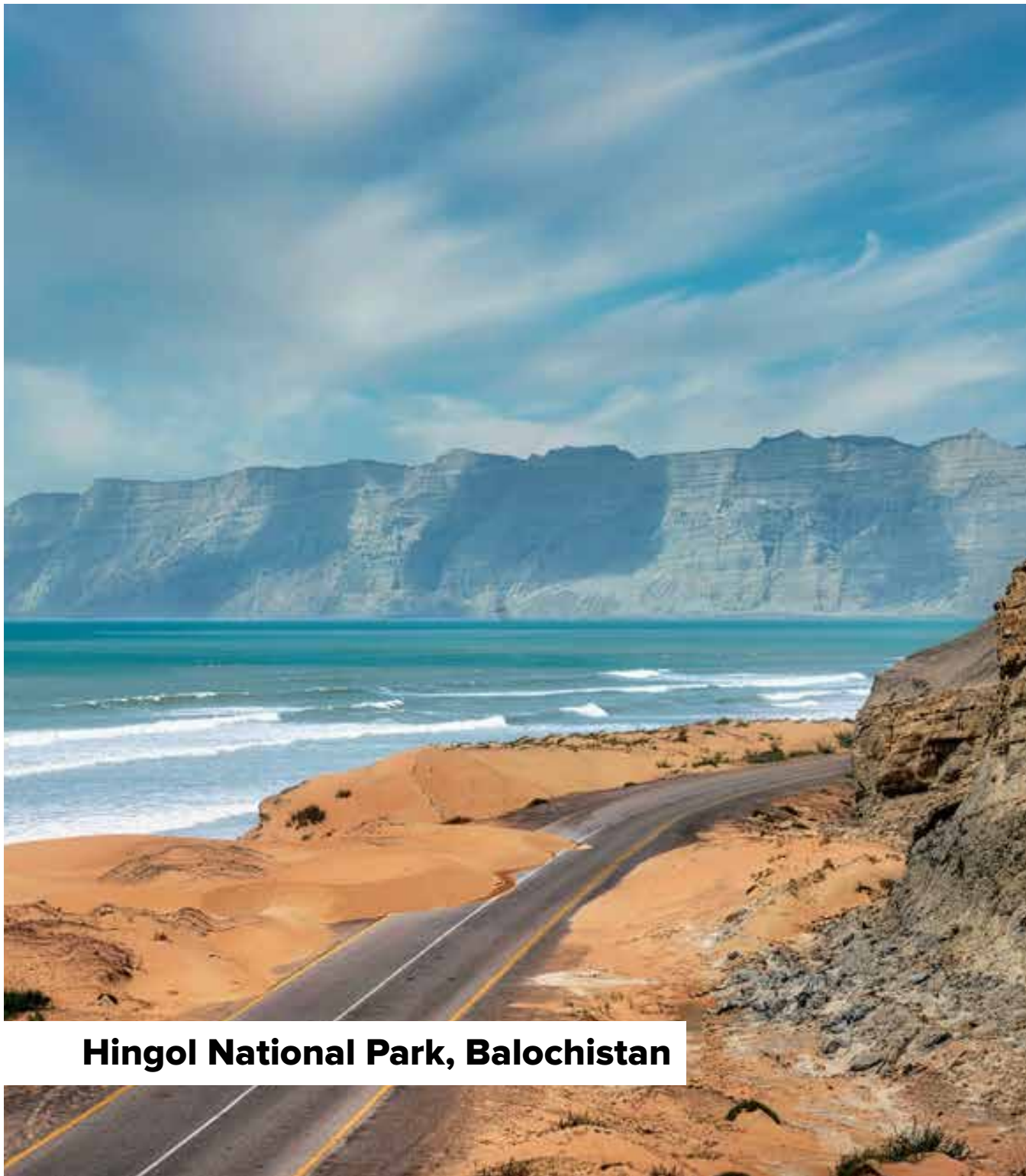
**Lake Saif-ul-Malook, Khyber Pakhtunkhwa**



**Swat Valley, Khyber Pakhtunkhwa**



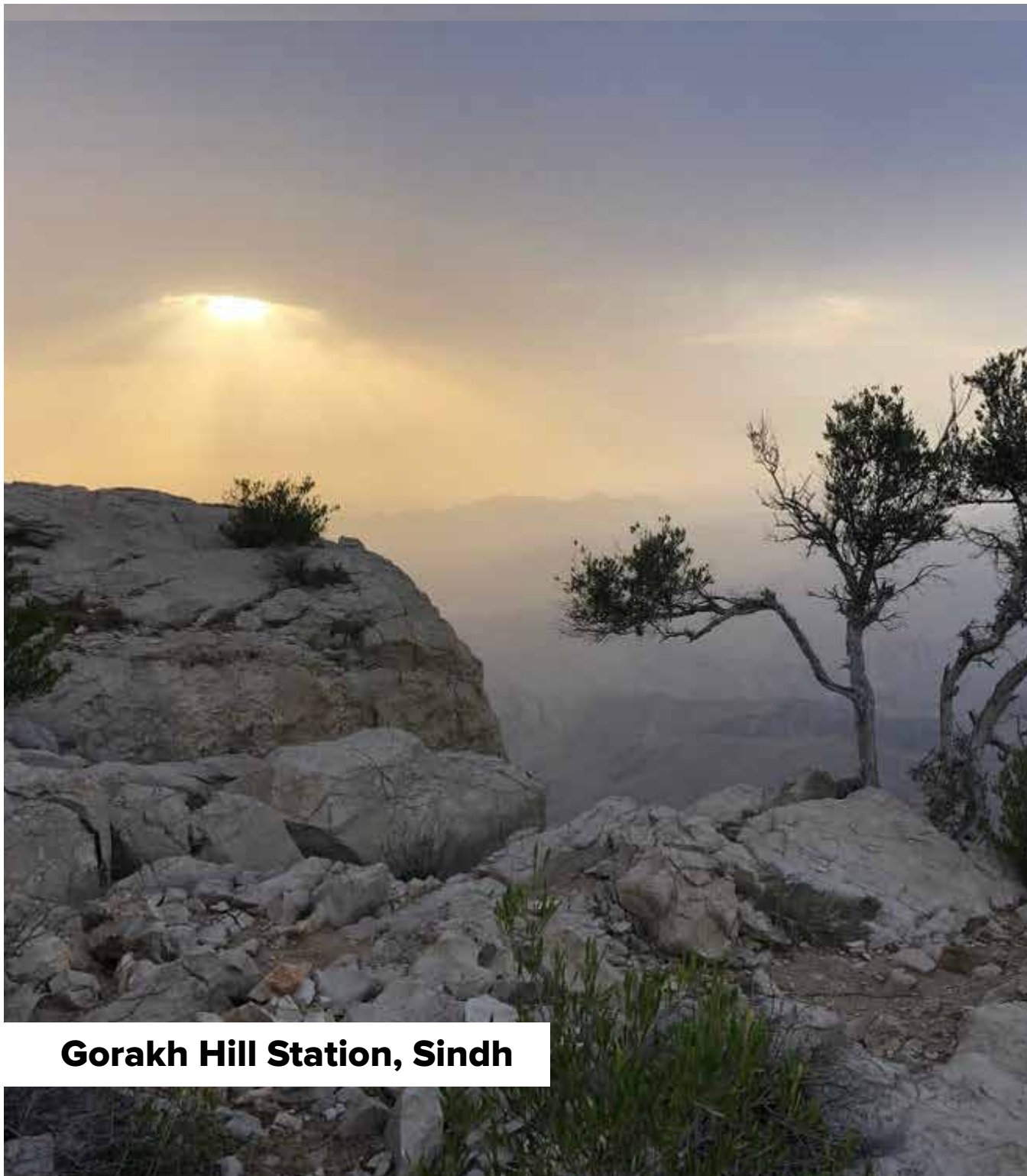
**Khewra Salt Mine, Punjab**



**Hingol National Park, Balochistan**



**Manchar Lake, Sindh**



**Gorakh Hill Station, Sindh**

## 10.8 Finances

The financial landscape of Pakistan is dynamic and subject to shifts as a result of financial factors, government initiatives, and economic developments worldwide. Key characteristics of the financial system and economy include:

| Aspect                    | Information   |
|---------------------------|---|
| Currency                  | Pakistani Rupee (PKR)   |
| Central Bank              | State Bank of Pakistan (SBP)                                  |
| Stock Exchange            | Pakistan Stock Exchange (PSX)                                 |
| Financial Institutions    | Commercial banks, investment banks, microfinance institutions |
| Foreign Direct Investment | Actively encourages FDI                                       |

Pakistan's cuisine is known for its exquisite flavours and culinary expertise. It represents a fusion of spices and aromas influenced by various geographical locations and cultural customs. The country offers a wide range of mouthwatering dishes, including biryanis, kebabs, curries, and delectable sweets like gulab jamun and jalebi. Pakistani cuisine caters to the tastes of food enthusiasts, showcasing the diversity and richness of the culinary traditions across the region.

Here are some well-known eating spots in Pakistan's major cities:

| Aspect    | Information  |
|-----------|--|
| Karachi   | Kolachi Dou Darya, BBQ Tonight, Burns Road Food Street, Port Grand, Noorani Kabab House, Yuang Tung, Ginsoy, Espresso, Evergreen Café, Café Aylanto, Xanders, Café Flo, Collete, Sakura, Fujiyama, |
| Lahore    | Haveli, Butt Karahi, Anarkali Food Street, Cuckoos Nest  |
| Islamabad | The Monal Islamabad, Tuscany Courtyard, Melody Food Street   |
| Peshawar  | Tai Pan, Usmania, Namak Mandi Food Street  |
| Quetta    | Gulshan Karahi, LehriSajji Karahi House, Prince Road Food Street   |



**Mazar-e-Quaid, Karachi**

## 10.10 Economy and Industries

Pakistan's economy is characterized by its diverse sectors, including agriculture, industry, and services. Major industries in the country include leather goods, sporting goods, apparel, textiles, information technology, surgical instruments, telecommunications, financial services, and energy. Agriculture remains an important sector, employing a significant proportion of the population and serving as a vital source of food production. Pakistan's fertile soil, suitable climate, and efficient irrigation systems contribute to the cultivation of various commodities such as wheat, rice, cotton, sugarcane, and fruits.

## 10.11 Cultural Nuances and Etiquette in Pakistan

Pakistan's cultural nuances and etiquettes play a significant role in shaping social interactions and daily life in the country. Understanding and respecting these cultural norms can help visitors and expatriates navigate social situations and foster positive relationships. Here are some key cultural nuances and etiquette tips to keep in mind while in Pakistan:

1. **Respect for Elders and Hierarchy:** Pakistani society places great importance on respecting elders and authority figures. It is customary to show deference and deferential behaviour towards older individuals and those in positions of authority.
2. **Greetings and Politeness:** When meeting someone, it is customary to exchange greetings with a smile and a handshake. In more conservative settings, especially with elders or religious figures, it is respectful to greet with a slight bow or placing your right hand on your heart while saying "As-salamu alaykum" (peace be upon you). Use polite language and honorifics such as "ji" (a term of respect) when addressing someone.
3. **Dress Code:** Pakistan is a conservative country, and modest clothing is generally preferred, particularly in rural areas and religious sites. It is advisable to dress modestly, covering your shoulders, chest, and legs. Women may also consider covering their heads with a scarf when visiting mosques or other religious places.
4. **Dining Etiquette:** In traditional Pakistani dining, guests are often served a variety of dishes, and it is polite to accept food and try a little of each dish. Use your right hand for eating, as the left hand is considered unclean.
5. **Respect for Religious Practices:** Pakistan is an Islamic country, and Islam is deeply ingrained in the culture. Respect religious practices and traditions, especially during prayer times and when visiting mosques or religious festivals. Dress modestly and follow any specific rules or instructions when entering religious sites.



6. Gender Interactions: Pakistan is a conservative society, and it is important to be mindful of cultural sensitivities regarding gender interactions. Avoid physical contact, such as hugging or excessive touching, with members of the opposite sex in public, unless you have a close personal relationship or are in a formal setting.

7. Gift-Giving: Offering gifts is a common practice in Pakistan, particularly when visiting someone's home or during festivals and celebrations. Gifts can range from sweets, flowers, or small tokens of appreciation. It is polite to present gifts with both hands, and the recipient may politely refuse the gift at first before accepting it.

8. Cultural Sensitivities: Pakistan is a diverse country with various ethnic, linguistic, and religious communities. Be aware of and respect the cultural sensitivities and practices of different communities and regions within Pakistan.

## 10.12 Alcohol and Pork Prohibition

It is important to note that Pakistan is an Islamic country, and the consumption and sale of alcohol are strictly prohibited for Muslims. Non-Muslim foreigners and residents can obtain alcoholic beverages from designated places with permits, but it is advised to respect the cultural norms and consume alcohol discreetly and in private settings. Additionally, the consumption of pork is also prohibited in accordance with Islamic dietary laws.

## 10.13 Religious Festivals in Pakistan:

- Ramadan: Ramadan is the holy month of fasting observed by Muslims worldwide. During this month, Muslims abstain from food, drink, smoking, and other physical needs from dawn until sunset. Business travellers should be mindful of this and avoid eating, drinking, or smoking in public during fasting hours as a sign of respect.

- Eid ul-Fitr: Eid ul-Fitr marks the end of Ramadan and is a joyous celebration for Muslims. It is a public holiday, and business operations may be limited during this time. Business travellers should plan their visits accordingly and be aware that many shops and offices may be closed or have reduced working hours during this festive period.

- Eid ul-Azha: Eid ul-Azha, also known as the Festival of Sacrifice, is another major Islamic festival in Pakistan. It commemorates the willingness of Prophet Ibrahim (Abraham) to sacrifice his son as an act of obedience to God. It involves the sacrifice of animals, typically sheep or goats, and the distribution of meat to the less fortunate. Business

operations may be affected during this time, with limited working hours and closures.

- Moharram: Moharram is the first month of the Islamic calendar and is observed by Muslims with solemnity, particularly by the Shia community. It commemorates the martyrdom of Imam Hussain, the grandson of Prophet Muhammad. During this month, processions, gatherings, and religious events take place. It is advisable to be respectful and exercise caution around these events, as they can be emotionally charged.